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LEGISLATIVE ASSEMBLY OF ONTARIO

No. R-21

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Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of the Environment

Fourth Session, 32nd Parliament
Thursday, October 11, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, October 11, 1984

The committee met at 8:07 p.m. in room 228.

ESTIMATES, MINISTRY OF THE ENVIRONMENT (continued)

Mr. Chairman: Gentlemen, we shall start our evening performance, the second session of the estimates for the Ministry of the Environment. When we left off we were part-way through the minister's response to the questions and concerns of the opposition members.

Hon. Mr. Brandt: Mr. Chairman, that is entirely correct.

Mr. Chairman: Do you want me to do a little song and dance here while you are trying to find the material?

Hon. Mr. Brandt: No. Actually we are very organized, but I had a number of problems to which I was attempting to find solutions on behalf of some of the honourable members assembled here this evening. Now that I have completed that particular responsibility, sir, I am prepared to continue.

Mr. Chairman: If you are ready to move on, all right, fine. We will move it over to you, and away we go.

Hon. Mr. Brandt: Thank you very much, Mr. Chairman. Although there may be additional questions from our two critics, we dealt at least in part with the issues of mediation and the mobile polychlorinated biphenyl regulatory reform. I do not know that there is any additional information I might be able to add on those questions at this time. I would certainly be open to further questions from the committee.

Mr. Charlton: On the question of mediation, I do have a number of other items I would like to discuss under the appropriate vote and in specific relationship to the mediation we were discussing yesterday.

Hon. Mr. Brandt: I am not in any way suggesting we discontinue further discussion on any of the items. I am attempting only to answer the questions raised earlier by Mr. McGuigan and Mr. Charlton. With the consent and agreement of the committee, I would suggest we move into the area of landfill sites at this particular time. I have some staff here who have been brought in this evening and are prepared to deal with that subject.

There were questions raised related to the Pauzé landfill site and the Upper Ottawa and Stouffville sites. I believe those were the three major ones. There were also questions raised in connection with the New York state sites and our intervention from a legal standpoint, but I am separating that question for the moment and dealing only with the sites in Ontario that were specifically raised by Mr. Charlton. I think it was touched on by Mr. McGuigan as well.

Mr. McGuigan: I have another question on the Pauzé landfill site, but I can wait, if you want, rather than deal with it right now.

Hon. Mr. Brandt: I think, Mr. Chairman, again with your permission, we have dealt with this in a relatively informal manner; so when I introduce the staff who can deal with this question you are more than welcome just to direct your questions, as we have done in the past, to either the staff member or me.

Mr. Charlton: I do not mind proceeding in that fashion, Mr. Chairman, except that unfortunately I came prepared tonight to deal with Mr. Chant. I did not get the message that he was not going to be here because I was out of the building and got back just a few minutes ago, as a matter of fact. I do not have all the material with me on the three issues you are now proposing to discuss. I do not mind having some discussion on them, but I would not want it to preclude questions coming up later on that might arise out of our discussion tonight.

Hon. Mr. Brandt: As in the past, there would certainly be no problem on my part if you brought them up under the individual votes or whatever. What I am trying to do now is to go through the series of questions that were raised by you and by the member for Kent-Elgin.

Mr. Charlton: That is good; that is fine.

Hon. Mr. Brandt: I am not taking them in the specific order in which you raised them, because that proves to be a little difficult in trying to pick up the chronological order of the questions as they were raised.

If that is agreed, then I would like to call forward the assistant deputy minister, Mr. Dennis Caplice. I believe the Pauzé landfill site was the first one raised, Mr. Caplice. The questions were with respect to some of the

hydrogeological studies that were taken by the consulting firm we had engaged to look at the problem of the contamination of that particular site and also with respect to the pollution plume that had moved offsite and some of those related problems. Perhaps you would like to proceed. The gentleman with Mr. Caplice is Mr. David Guscott, who is in the same division as Mr. Caplice.

Mr. Caplice: Mr. Chairman, with me this evening to my left is David Guscott. David was the site support team leader up there when we were involved deeply with the Pauzé landfill site, particularly last year. We had a team approach to it with the head office people supporting the regional people. David was the leader and was the one who oversaw the study we had Gartner Lee do, which in turn followed the study that had been done by Mr. Pauzé, the owner of the site.

In a very short overview sense it might help the members if David took them quickly through the findings of the Gartner Lee study using two overheads that we had developed with which we have briefed people in the area and staff in the ministry as well as the minister.

David, maybe you can condense rather quickly the findings of the Gartner Lee study in particular and then point out some of the residences and relationships of the plume to the homes.

Mr. Guscott: Okay. I will be brief, Mr. Chairman. The Pauzé landfill site, to give you a general—

Mr. Chairman: I am sorry. Hansard cannot pick you up. Perhaps you can sit down.

Mr. Guscott: Just for orientation purposes, the town of Midland is to the upper right of the map shown on the easel. Georgian Bay is just off to the lower left here.

In 1970 the Pauzé landfill site was used to service the area of Midland and the municipalities around it. Until 1980 it took some liquid industrial wastes as well from the industries that are in the Midland area. In 1980 the ministry discontinued the certificate of approval that permitted liquids to go to that site. That decision followed a preliminary study we had done, which indicated that because of the soil conditions the site should be used only for municipal wastes.

In 1982 a number of wells were found to be contaminated in the area of the Pauzé landfill site. These were located right there; there are three of them and another one is over here. The wells were contaminated with organics, not the normal type of contaminants that would come from a landfill site. Because of that, the ministry

commissioned a study using Gartner Lee, which, as the minister said yesterday, is one of the most respected hydrogeological firms in North America, to look into this site and to report to us on where the plume was that was coming from the site, what remedial measures should be taken, if any, and what would be the best source of water supply for the residents in the area.

I will briefly outline how the study was taken out. I can show it best on this air photo. To orient you, this is the landfill site. The homes that had contaminated ground water are located here, here and here.

The question came up yesterday about the contaminants that were in the plume and how we identified the particular contaminants to look for and zeroed in on trichloroethylene. This was done by drilling three deep wells right along beside the landfilled area. To drill those wells, we used what is called in the trade a split-spoon, which meant that every five feet we took out a soil sample. We examined that soil sample, compared it and analysed it. We looked at it for its colours and odours to try to determine where the levels of contamination were at their worst.

Using that process, we found the three areas that we thought were the most heavily contaminated. Those were the three areas where we put what is called a piezometer, which is a small tube that allows us to draw water from that depth. We put them in the very worst spots we could find.

We took the water samples we got at that depth and put them through a very wide scan analysis of priority pollutants, all the contaminants that the Environmental Protection Agency in the United States and ourselves considered to be the most dangerous. That is how we narrowed in on which contaminants to look for in the other areas we were studying.

After the three boreholes beside the landfill site, we did a whole series of them. All those yellow squares represent boreholes that were used in this study. In all of them we went deeper than any previous studies had gone on that site. We used even more elaborate examination techniques to ensure that none of the water that came up was contaminated by any other source. The techniques for drawing those water samples were state of the art. I might add it took about \$200,000 and almost nine months of work to arrive at this.

I think I can sum up the results of the studies. The Gartner Lee study found as a contaminant in these wells the chemical trichloroethylene. As the consultant said in his report, it is now ubiquitous in our society. It is used very widely.

It is the replacement for carbon tetrachloride, which was banned for normal household use several years ago because of the dangerous aspects of it.

We found trichloroethylene about 100 metres off the landfill site. That represented about that distance. We found it in very low levels even that far away, less than one part per billion in a lot of cases. In the Therrien well, we found it up to 400 parts per billion. There was very little trichloroethylene here in spite of the large quantities here.

We also found the trichloroethylene near the landfill site was very deep. It had sunk right down to the till level, the confining level beyond which the contaminants generally did not drop.

Mr. Charlton: That was just outside the site.

Mr. Guscott: That was just outside the site. It went right down deep. It is a relatively heavy chemical and it went down very deep and then extended a short distance off the site.

8:20 p.m.

We did find a chloride plume, which is probably shown best on this one. Chlorides are salts, etc. That is normally the contaminant that comes off the landfill site. That contaminant plume went as far as the abandoned railroad track, which is shown by this dashed line.

I might add that the chloride levels found in that plume were below the level of our drinking water standard. In fact, the water was still drinkable, although it was a chloride plume that was definitely coming from that landfill site.

The mystery of all this was that we did find another secondary plume of trichloroethylene and benzene and a few other chemicals. We found this to be at very high levels in some of the wells around here. Maybe I can show it best on the levels that were high. Borehole 9, for example, down here had a high level as did a number of these, way beyond the levels we found around the landfill site.

This caused the consultant to speculate that there must have been some other source that caused that contamination. The contamination in this area was much higher than the trichloroethylene or any of the other heavy chemicals that were in the landfill site and it was very concentrated. It was orders of magnitude higher.

Mr. Charlton: I realize that in the study they did not prove any other source, but were they able to come up with any indications of what that other source might be or where at least the source originated?

Mr. Guscott: What they said was that because there is an abandoned railway line along here and

a roadway, it could have come from some illegal dumping of wastes along there. It is possible an operator arrived late one night, found the gate to the landfill site locked, could not get in and dumped it on the road or on the railway track.

The other possibility is road oil, but it is just a little too far from the road. We have done some follow-up work now, and it does not look as if road oil was the problem. On the basis of what we did this past summer, and we are just getting the lab analysis back now, we found the levels of contamination were so high—the water table is about 35 metres below the surface in this area—right at that saturation point that there must be a lot of chemicals above it, in fact, above the water table and in the unsaturated area.

We riddled the area with boreholes. We put a pattern of boreholes throughout this area and we have found high chemical levels in that area, so high they could not have come from the landfill site in terms of being not very far below the surface.

Mr. McGuigan: Railroad ties are treated with pentachlorophenols. Could they possibly be the source of it?

Mr. Guscott: Pentachlorophenols are often related to dioxins. We did not find dioxins or polychlorinated biphenyls in this area, and we looked for them.

Mr. Charlton: The lack of PCBs would likely eliminate road oil as well, would it not?

Mr. Guscott: Not necessarily. It depends where the road oil came from. That is something the ministry checks for in road oil regularly, because it has been a problem in other areas.

The follow-up work now is trying to find the mysterious source of these other chemicals. The consultant told us quite frankly in the study that he does not think there is much chance of us finding what it was, but we are not prepared to let it lie at that point. We are still looking.

Mr. Charlton: A couple of questions. The green-shaded area you are showing as the landfill site—

Mr. Guscott: Here, yes?

Mr. Charlton: Is the shaded area the licensed site?

Mr. Guscott: Yes, that is the licensed site. The certificate of approval covers that area.

Mr. Charlton: Right, so you did not make any boreholes in the area behind the licensed mound—

Mr. Guscott: In this direction?

Mr. Charlton: No, right there.

Mr. Guscott: Up here.

Mr. Charlton: Which is also owned by Mr. Pauzé. This area right here?

Mr. Guscott: Yes. We did boreholes here and we did boreholes up here. This is not the first hydrogeological study done of this site.

Mr. Charlton: I understand that.

Mr. Guscott: The previous study had done boreholes here and here and not found anything.

Mr. Charlton: Were there ever any boreholes done right on that back piece?

Mr. Guscott: Yes, there were boreholes here and here.

Mr. Charlton: That is off the property, though. I am talking about right on the back piece that is part of Pauzé's property.

Mr. Guscott: This is the back piece. That one was done right where some grey paper waste—

Mr. Charlton: That is the one. There were several areas we raised with the ministry about two years ago in that back portion.

Mr. Guscott: That is right. This is exactly where it was.

Mr. Charlton: There was the grey paper waste. There was also a pond area with—

Interjection: Sewage sludge.

Mr. Charlton: Well, some kind of sludge. I did not do any testing of it to know what it was, but that was the area where there was a fairly substantial number of gull skeletons and so on. Was there ever any testing done of that and was anything found?

Mr. Guscott: Nothing was found. This borehole here is in the area drained by the areas you are talking about; from a ground-water point of view, it is down gradient from the areas you are talking about. That was why that borehole was put there.

Mr. McGuigan: Could I get a bit of background for myself? I am not as familiar with this—

Mr. Chairman: Mr. McGuigan, could you move forward, please?

Mr. McGuigan: Yes. Could I have a bit of background for myself? I am not as familiar with this as my colleagues. What is the general type of soil here? It is very close to Georgian Bay, I understand.

Mr. Guscott: Yes, and it is very sandy.

Mr. McGuigan: Is it part of the old beach complex that surrounds all the Great Lakes?

Mr. Guscott: That is right. It is all a glaciated area, with very uniform sand deposits. The consultant looked at it from the point of view of whether there would be streamers of gravelly areas, etc., and he found it to be very uniform. He looked at all the well logs that had been developed in that area and found a very uniform pattern of sand particles all the way.

Mr. McGuigan: What makes me ask is that I live just a mile from the shore of Lake Erie. About a mile and a half north of the north shore is an old beach, and 10,000 years or so ago the lake was about 100 feet deeper. Is this part of the beach?

Mr. Guscott: The equivalent shoreline along Lake Huron to the one you are talking about is right here. In fact, this road jogs just off the map as it goes down the old shoreline cliff. You can see it right there. That is the other part—

Mr. Charlton: That is where the Indian cemetery was.

Mr. Guscott: Yes.

Mr. Charlton: The Indian cemetery would be just on the shore side of that shoreline.

Mr. Guscott: That is right. So the shoreline came along here. That road is jogging to make the grade.

Mr. McGuigan: So it does not have those stratified layers that shorelines customarily have.

Mr. Guscott: No. What it does have—I can show you a little bit about the geology of that area if you will let me get one more diagram.

What you are seeing here is a cross-section of the area from the landfill site here to Georgian Bay on the right-hand side. The bluff you are talking about was the old shoreline where the waves and the erosion took place. In fact, you can see that there are two of them. There is the present one and there is the old shoreline, which would be probably the equivalent of what you are talking about on Lake Erie.

What the consultant found was that there is a till area down here, which is basically clay-like; it is clay and clay particles. There is another perched clay area; it is roughly here on this map. That is caused by the glaciers repeatedly advancing and retreating. What happens in this area is that rain water falls here, gets into the ground water, flows along and out this bluff. You will see small streams starting at that point and flowing into the lake. It provides an area that is impermeable to the surface water gaining access down to the deep aquifer.

It turns out that this till area is what protects the ground water supply in the village of Perkins-

field. This is why the consultant did not recommend that a water supply should be provided to that area. This perched area is located like this. The consultant found that there is actually a reverse flow of the surface water coming in at this point—and this is about where Perkinsfield is—and actually flows back, around and into the deeper aquifer.

Mr. Caplice: There is the landfill site.

Mr. Guscott: This is the landfill site up here, and the wells with the high contaminant level are here.

Mr. McGuigan: The aquifer is below that whole business, is it?

Mr. Guscott: The level of ground water is the water table, which is shown by this line.

Mr. McGuigan: But your bores go down into—

Mr. Guscott: Yes. You can see our wells right down. For the study that was done before ours, a \$100,000 study which was paid for by the site operator, they only dug their wells to this depth. They thought that was as far as they had to go, and that was one of the criticisms of that study. We took our wells right down into the confining layer, and you can see we took one right down to the bedrock.

Mr. McGuigan: Your contention is that clay layer pretty well protects the village of Perkinsfield.

Mr. Guscott: Yes.

8:30 p.m.

Hon. Mr. Brandt: In terms of the offsite migration of the plume, is the pointed direction of the plume as it exists on the first map you showed us indicative that the plume is weakening as it migrates offsite? In other words, according to the study that was made, it is coming to a point somewhere, beyond which it is highly unlikely it will ever go. Perhaps you can point that out on the map.

Mr. Guscott: Yes. There are a number of processes that cause a contaminant in ground water to weaken as it travels certain distances. There is absorption, where it sticks to particles in the ground; there is volatilization, where some of it disappears before it even gets down into the saturated layer; and there are also chemical processes that take place, besides plain dilution. Because that is a very sandy area with a very high water table, as you saw in the cross-section, there is an awful lot of water in the ground in that area. There is a high dilution factor.

As the minister pointed out, it is pointed because it is gradually dissipating as you get towards the edges. It is a bit like dropping ink on a blotter; you will get a dense blue at the beginning and it will weaken as it goes out to the edge. If you were to put that blotter on an angle, you would have a rough approximation of the way a ground-water plume works.

Mr. McGuigan: It seems to me that there is a weak argument, though, that your inkwell never runs dry until the main body, the part in black—

Mr. Guscott: The blotter is constantly being renewed by the fact that there is so much water in this ground water. It is not as though the ground water down there is a static amount of ground water. There is so much ground water coming in from rainfall and so on that it is constantly washing through this area.

I want to get to the other point the minister raised. This has travelled about 700 feet in 10 years and the concentration of the contaminants here is only 45 per cent of what it was back at the landfill site. Based on these factors and some others he used, the consultant projects the plume will travel about twice the distance it has gone now, about 1,300 metres, and that will take about eight years. By the time it has reached that point, it will be indistinguishable from the background levels of things such as chlorides, which are naturally found in the ground. For some of the organics, it will be very hard to detect; it will take extremely rigorous testing even to find it.

The other part of our study was the recommendation of a monitoring program. We are not finished. Now that we have done this study, we are not finished in Perkinsfield. We are establishing and undertaking the entire monitoring program the consultant suggested. We are sharing those results with the people of Perkinsfield and the municipalities. That work is under way now. The consultant has told us where to put monitoring wells, and those are the wells we are now using.

Mr. McGuigan: Maybe I am missing something here. I can understand the picture of a drop of ink on blotting paper that gets lighter as it gets out, but when you are constantly adding more ink it is going to move and move unless that blotting paper has some chemical, bacteria or whatever to gobble up those molecules, neutralize them and get them out of the way.

Mr. Guscott: An analogy is always dangerous.

Mr. McGuigan: As long as that inkwell keeps dripping, it seems to me there is no end to it until

the inkwell runs dry. I cannot get that through my mind.

Mr. Guscott: I hope the analogy has not confused the situation rather than clarified it.

Mr. McGuigan: It made it very clear.

Mr. Guscott: If you imagine the blotting paper is being renewed as the ink keeps dripping on it, the blotting paper is being renewed.

Mr. McGuigan: Where is it going?

Mr. Guscott: It is dissipating. It is diluting, it is chemically changing, it is sticking to some of the sand particles in the ground and—

Mr. McGuigan: They have a limited ability to absorb; each particle will absorb only so many ions.

Mr. Guscott: That is right. But do not forget that the chemicals we are talking about are things like salt, which is highly soluble in water, so it disappears very quickly. It just takes a little drop of salt in a bucket of water to contaminate it.

The other chemicals, the ones that were of concern, as we saw back here, the ones that stopped going to that site in 1980, have dissipated; they are gone. Of the incredible quantity that went in there, very little is left.

Mr. McGuigan: That is part of the equation that I could not understand. You say there is little of it left.

Mr. Guscott: That is right.

Mr. Charlton: Can we go back to your second one? The secondary plume; the one that does not appear to be connected to the landfill site seems to be of fairly extensive size.

Mr. Guscott: We are just now figuring out the extent of it. Yes, it is.

Mr. Charlton: You are also finding very high concentrations in a fairly large plume.

Mr. Caplice: Closer to the surface.

Mr. Guscott: That is right.

Mr. Charlton: Closer to the surface there are fairly high concentrations. Perhaps the speculation about illegal dumping is correct; because of its size and because of the concentrations, it raises speculation about rather extensive illegal dumping as opposed to one or two midnight haulers running in with one or two loads. As you said, in that kind of soil it is not going to spread out very far and stay close to the surface.

Mr. Guscott: We put that to the consultant. We could not figure out how we were getting to that point. What he stated was that it would take a relatively small amount of chemical put into the ground without the benefit of having it evapor-

ate. When we used to allow the dumping of liquids on landfill sites, a large percentage of it evaporated; in fact, in some of them, 50 or 60 per cent of it would evaporate. If someone buried a drum that was slowly leaking, a relatively small quantity could contaminate a large area.

Mr. Charlton: Yes. It would not necessarily stay close to the surface.

Mr. Guscott: It could stay close to the surface if it were slowly leaching out of the drum. We did magnetometer studies of the area to make sure there was not a drum buried in there, and we could not find one. So it is a mystery; we are still trying to figure out what it was.

Mr. Charlton: What approach are you taking now to trying to identify the source of that secondary plume?

Mr. Guscott: We are still in the process of chemically analysing the material we took out of the area. We had to take air samples out, as you can appreciate, because there is no ground water near the surface. We took air samples out, and those are still being analysed in our lab now.

Mr. Charlton: Air samples out of the ground or above the ground?

Mr. Guscott: The air that is in the ground. There is a lot of air in the ground, and that is what we were testing, because there was not any liquid we could take out of the ground at that point.

Mr. Charlton: Another question I have is on that farthest north test hole; I think it is marked "R."

Mr. Guscott: That one is marked "B."

Mr. Charlton: Oh, "B." I could not see the bottom of it. That is located where? Is that Les Dekany's property?

Mr. Guscott: No. His property is over here.

Mr. Charlton: Did you find anything at all at that test hole?

Mr. Guscott: No, we did not, and that is up gradient—

Mr. Caplice: It is up gradient from a hydrologist's viewpoint as the ground water moves; you would not expect to find anything.

Mr. Guscott: And we did not, but we wanted to make sure we had covered that area.

Mr. McGuigan: I have one further background question. How would this landfill site ever have become established on this type of soil in the first place?

Mr. Guscott: They did not have criteria.

Hon. Mr. Brandt: When was it first established in relation to the ministry's coming into being, I think, is a fair question.

Mr. Guscott: It was established about 1967, and I might add that it was considered an improvement over what had happened in that area, because they finally had one landfill site that they could manage rather than six that were scattered throughout the area.

8:40 p.m.

Mr. Caplice: The ministry's program began in 1971. The formal establishment of a program to license and regulate landfill sites began essentially in 1971 with the passage of the Waste Management Act. Before that it was possible, and farmers and others who had back 40s and people who had gravel pits were in the waste disposal business. There are numerous examples of a lot of communities in Ontario where people made some money using land they deemed to be appropriate for taking man's waste. Prior to 1971, a local medical officer of health was the strongest person in that whole area.

Mr. Charlton: Prior to 1971 were there any criteria for the dumping of industrial waste?

Mr. Caplice: No provincial criteria.

Hon. Mr. Brandt: To give you a little more information on some of these sites that were brought into being before the ministry actually licensed sites, I might add that we have taken a very extensive survey of all active and abandoned sites in Ontario. I think the number is 4,000, if I am correct, of which somewhere in the order of 1,500 are active. I could get you a complete list of them.

The approximately 2,500 sites that have been closed have been reviewed very carefully by the ministry in an attempt to answer the question I think you were getting at: how dangerous are those particular sites, recognizing that there were no criteria?

Mr. Charlton: Have they been reviewed to the extent of some ground testing?

Hon. Mr. Brandt: Not to the extent of Pauzé, but I want the staff to respond to that. They can perhaps tell you what has happened with the closed-out sites and how we are dealing with those, then about the active 1,500 sites still in operation in Ontario. I wanted to bring up that point so you would not be left with the impression that there are a whole series of sites out there that could become potential Pauzés.

Mr. Charlton: That question has been raised before.

Mr. Caplice: I think it is fair to point out that is very much in part how the Pauzé site was zeroed in on as being one that merited much more investigation than we had seen conducted at that

site prior to 1980. The first survey was the result of the industrial waste screening we did. The onus was put on the operator in 1980 when the extent of the use of that site for the disposal of industrial waste was realized. We have slowly screened this out.

Mr. Gotts is here and he can explain further the inventory we have under way, the 1,500 sites the minister mentioned and where we are going with them. In fairness, Mr. Charlton, you have to recognize that with the large number of sites the minister mentioned, the extensive nature of the investigations we did at Pauzé is a very costly—

Mr. Charlton: I was not asking whether you had done that kind of extensive testing at those 2,500 closed sites, but whether any kind of ground testing has been done at all, or have they just been investigated in terms of what may or may not have gone into them?

Mr. Caplice: No. Where we have seen a concern expressed by the local people—Stouffville certainly has had as much work, if not more work, done on it than this one. The Uniroyal site you mentioned has had extensive work done on it. The one in Kent-Elgin riding has had a considerable amount of work done on it; I do not know whether it matches the amount done at Stouffville or at the Pauzé site.

In each case where we deem it to be a problem because people are bringing forward information or there is concern expressed, the drill holes have gone down. To establish a new site in Ontario now, as you know, all this work has to go on in the preliminary stage to get yourself through a hearing. The establishment of a landfill site used to be maybe a \$200 operation. Now it can be a \$2-million operation before you are through the extensive hearing process as well as the information you have to give.

Mr. Kerrio: Why not close all these down and bring everything back here?

Mr. Caplice: You invited us in, Vince.

Mr. Charlton: Correct me if I am wrong, but I think you just said that wherever there has been some indication of a problem, the ministry has gone in and done ground testing.

Mr. Caplice: We have tried to do the screening and the zeroing in on it.

Mr. Charlton: But in cases where there has been no sign of a problem to date, that likely means there has just been some kind of a paper investigation to try to determine what went into that long-since-closed site.

Mr. Caplice: The screening I am speaking of includes boreholes in many cases.

Mr. Charlton: Okay.

Mr. Caplice: We are at that stage now. I believe Mr. Gotts could mention what we are doing with the 1,400 active sites. We actually are zeroing in on some of those now. We will be commissioning some studies in the immediate weeks ahead on a number of those sites.

Mr. McGuigan: Before we leave the Pauzé one, I would like to ask Mr. Caplice a question. In the previous estimates I asked the minister about the cash settlement that was made to some of these people. We have a figure of about \$40,000 per family, which I guess is sort of the street talk. The minister told me that the matter was made public and that these families had received funds, but my researcher tells us the amount was not made public. We would like to know the amount and how it is being paid.

Is the Ministry of the Environment paying, is the municipality paying or is Mr. Pauzé paying? Who is paying? I do not care who answers the question, the minister or you.

Mr. Caplice: Perhaps the minister would like to comment.

Hon. Mr. Brandt: I have no reservations about the staff commenting. The mediation that was finalized in Pauzé was made public. First, our ministry provided to the municipality the amount of money that was standard in that particular instance for the subsidization of the new water system that was going to go in there.

There was a secondary agreement. We have somebody from the legal department here if you want to bring Mr. Mulvaney forward to respond as to how the second part of the agreement was drafted and what happened in that particular instance. There is no reservation about the amount of money involved that I am aware of.

The moneys were paid by the municipality to the individuals, not by the provincial government through its subsidy. The province funded the municipality and the municipality, as part of the total arrangement that was arrived at in that area, decided it wanted to clear off all the problems. There was a whole series of problems, as you can appreciate. The two that Mr. McGuigan is speaking of now, the two properties in question, were paid for out of that money.

Mr. Charlton: Before we get into the money question, there are two things I would like to mention. You can correct me if I am wrong because I do not want to see us putting something on the record tonight that perhaps should not go on the record.

First, I think the actual amount of the financial settlement with the individuals was not specifically a part of the mediation report, was it?

Hon. Mr. Brandt: That is right.

Mr. Charlton: It was exclusive of the mediation decision.

Hon. Mr. Brandt: That is why I called it a secondary agreement.

Mr. Charlton: My recollection of what transpired after the mediation came down and the secondary agreement was reached with the individuals was that the specific amount of money that each of the individuals was awarded was kept confidential at the request of the individuals and not at anybody else's request. Is that correct?

Mr. Caplice: I believe you are correct. It was a subagreement within which those people saw fit to withdraw the lawsuit against Mr. Pauzé and the crown. I think it was their request that the amounts of money they received not be broadcast throughout the community. I was not part of the negotiations; the regional director was.

Mr. Charlton: The reason I raised this is that perhaps we should check. There is nothing that precludes us from raising this again before the estimates are over, but perhaps we should check that. I do not have my file with me tonight, but that is my recollection of what happened in the case of the individual settlements to the home owners. It was their request that it be kept private.

Mr. McGuigan: I do not want to embarrass any particular person in this matter, but it strikes me that the municipality would have a hard time giving money out without that showing up in the audited statements of the municipality. How could it remain a private matter?

Mr. Charlton: All I am saying is that we should perhaps talk to the individuals in the municipality involved before we get into dragging this one any further.

Hon. Mr. Brandt: I do not know whether I can clear it up, but let me try. I want to make this clear, and it is going in Hansard, so that I understand the question and I want to answer it as directly as I can. There was no requirement on the part of the province that any portion of that money then be transferred to the property owners in order to drop the suit that was brought against the province.

Mr. McGuigan: I can understand that.

Hon. Mr. Brandt: What I am saying is that the secondary agreement was between the

municipality and the individuals, and not between the province and the individuals.

8:50 p.m.

I can say to you, and Mr. Mulvaney from our legal department is here, that the province was quite prepared to go to court and defend our position. We felt the hydrogeological studies that have been reviewed in some detail here tonight proved the landfill site was not directly responsible for the contamination of those wells. There was some secondary source that at this point cannot be proven and our investigations continue. I admit there is still more information we are trying to discover with respect to this whole question.

The reality from our perspective is there would be no way for the land owners in question to prove the Pauzé site was directly responsible for the contamination. We were going to go to court on that basis and were quite prepared to move in that direction to support our contention that we were absolved of any blame.

Mr. Charlton: The second part of the point here is the ministry was not directly involved in the secondary settlement with the land owners.

Hon. Mr. Brandt: That is right.

Mr. McGuigan: I can appreciate the minister's explanation, but it does raise a suspicion in people's minds. You are all familiar with the phrase that justice must not only be done but must be seen to be done. Anyone who wanted to be cynical about it might be suspicious that those people had settled and passed off the interests of the next layer of people.

In spite of your assurances that the plume will not move, nevertheless those people are going to feel that some day it will or could move. None of us can guarantee it will not move, let us face it. Even though all the scientific evidence might be that it is not going to move, you still cannot guarantee it. I can see where the people who are further down would have a concern. Before we ask further questions on that, as Mr. Charlton suggests, perhaps we should talk to the municipality and come back to it.

Hon. Mr. Brandt: I would like to clear up this question to the extent we can. I do not want any cloud of suspicion hanging over the mediation process, which was deemed to be successful by 17 of the 18 groups and by the vast majority of people who have really carried out a critique on what happened here.

This was a very complicated case as you can well appreciate. There were all kinds of suggestions and nuances that the early study was

inappropriate, not sufficient and not carried out in sufficient depth. Then we went on to a further study that we have just described here. It was far more extensive and costly. Finally, we moved to an attempt to settle the whole question.

If there is any part of this whole process where the ministry caved in, it is that if you asked me a question in the House a year ago or a year and a half ago about whether the ministry felt it was necessary to provide piped water to this particular area, I would have had to answer in all good conscience that the position of the ministry was an absolute, unequivocal no.

We completely shifted our position there because there was some concern. We felt it was not justified, but we wanted to remove that concern from the residents of the area. Quite obviously when you look at the plume on the map and you look at the location of Perkinsfield, and I do not want to get into the school question again, but if you reconsider all those questions, it is quite obvious Perkinsfield is not being contaminated by the Pauzé site. Yet we are providing a very expensive water system, and you know it is very costly to supply piped water to a relatively rural area.

We did all that to remove the concerns of the residents, which were legitimate. They are somewhat emotional but they are legitimate concerns.

I want to shift to Mr. Mulvaney for a moment. He had a hand in the legal process and can perhaps clarify some of the areas raised by Mr. McGuigan. Mr. Mulvaney, if you will come forward, sir, I will give you the floor and you can describe these legal matters in the usual clear way these matters are described by you gentlemen of the bar.

Mr. Mulvaney: I am Neil Mulvaney, director of legal services of the ministry.

It was our position that we did not have a lot of concern about wanting to have a release of those legal claims. The evidence you heard today was basically what convinced us these claims were without merit. I can certainly confirm the minister's observation that this was not a factor in our thinking.

As it turned out, we will get the releases, but it was not a factor.

Mr. Charlton: I have a couple of questions around the mediation process. They are not about those who were involved in the settlement but about those who were not.

I understand the ministry was not directly involved in the individual settlements with the property owners, but I assume from the discus-

sions that went on, the rationale for those individual settlements was for the most part as a result of damage to the value of their properties. Some of it may have concerned psychological stress and inconvenience and other things, but I assume in the bulk of those settlements the rationale for that was the loss in property value.

Mr. Mulvaney: I was not part of those negotiations, but I understand our position to have been that we certainly were not prepared to have any funds flowing from the ministry as compensation for any past damage. Our position was there had been none.

Mr. Charlton: I understand the ministry's position on your liability for that, but obviously the township or somebody felt there was reason to compensate these people.

Mr. Caplice: I will try to answer the question. I think I know what Mr. Charlton is driving at. It clearly was on the table, during those 21 hours of negotiations that were going on that led to that agreement that evening and the previous negotiating, that the site was heading towards three more years of operation.

The other factor we have not really discussed here is that two parties were involved in those lawsuits. Mr. Pauzé was also being sued in a joint lawsuit, the crown and Mr. Pauzé. Quite frankly, looking at the nature of the negotiations and the reality that they were heading towards three further years of operation, particularly with him as the operator, it was in part through, I understand, some consultation with him and his lawyer, that very evening the negotiations were going on, that they decided the better part of the judgement was to see if they could not also settle up in relation to the concerns those people had about decreased property values and other things and get those lawsuits off the books as well.

The mediator, Mr. Picher, who is a solicitor and led this mediation, felt strongly about that. He personally felt it would be a better conclusion to the mediation not to have those two lawsuits continuing, particularly when we were heading towards three more years of operation.

Mr. Charlton: Okay, I think I understand that. My question and how it relates to the process of mediation is that, regardless of who was liable, if anybody was—obviously somebody was but perhaps not the ministry, the township or Mr. Pauzé if we are correct that it was illegal dumping or whatever—compensation has been or is being paid to several parties.

Mr. Mulvaney: But not necessarily for past damage done. Possibly simply for the incon-

venience of having to live near a landfill site for three years into the future. There may have been other bases for it.

Mr. Charlton: Whichever way you look at it, there are other property owners in the community who, for past damages or for future damages that are discovered or for the inconvenience of having to live near an operating landfill site for another three years, may find that inconvenience unbearable or who may find a loss in value in their property because of that. What recourse is left to any of them to pursue the matter, the mediation having been concluded without their participation?

Mr. Caplice: I will let the lawyer answer that.

Mr. Mulvaney: It will be only those persons who receive compensation who will sign releases, who will be releasing any claims. Others will not be affected by this process at all.

9 p.m.

Mr. Charlton: My point is simply that we had a private, closed-door mediation in which nobody was allowed to talk publicly about any of the matters that were being discussed at that mediation, so the other property owners who were not initially participants in the mediation had no knowledge that the issue of extending the dump for three years was on the table. Therefore, if the existence of the three-year extension was the reason for the settlement, they had no opportunity to make a similar claim in that mediation.

If it had been a public process in a public hearing, they would have been able to pick up their paper and read about that and go tearing down to that hearing the next day and say, "If these guys are going to get X numbers of dollars for the inconvenience of having a three-year extension, what about me?" They have been precluded from that process by the fact of a private mediation.

What recourse do they have? They are not signing releases so they could institute another lawsuit—

Mr. Mulvaney: Yes, right.

Mr. Charlton: —against the ministry, the township and Pauzé and go to court and lose, because you say you have a case you are not likely to lose. They have been precluded from whatever the rationale was for those settlements because they were not aware of what was on the table. They were not aware of the potential for a three-year extension. They were not aware of whatever other potentials were discussed; none of us is.

Mr. Caplice: I have a quick answer in relation to the mediation process per se. They were not excluded at the beginning from the mediation process. The mediator, Mr. Picher, went there with a completely open mind, placed advertisements in the paper and said, "Any party, be they cottagers or be they private citizens, please identify yourselves. Please come forward and, if you wish, join in this mediation." I do not think it started out as a closed shop.

Mr. Charlton: No, it was not a closed mediation. What it was, though, was advertised not as a consideration of an extension of that landfill site and a sawoff between the township and the owner of the landfill site and three families who already had contaminated wells who were suing. In the context of what was initially put out and the purpose of the mediation, the purpose of the mediation was twofold. The second stage of that, as I understand it, still has to go on, which is the—

Mr. Caplice: Long-term.

Mr. Charlton: —long-term development of a waste management program for Simcoe county and the short-term question of the Pauzé landfill site. The perception of the people in the community, regardless of what your experts felt and Gartner Lee felt, is that they are and will be convinced the contamination, whether you are talking about the primary plume or the secondary plume, is related to that landfill site. That is the perception in the community.

The perception of all of the other residents is: "There is no contamination on my property yet. Why would I want to be a participant in a hearing around the three families?" That is how they perceived that and the global question of waste management and three families who have contaminated wells who were fighting for their own personal situation.

What we are saying now is that it is likely the cash settlement did not result from the contamination on the Kramer property or the Therrien property. That cash settlement resulted between the township and the operator and the individuals perhaps for the inconvenience of having to live for three more years outside of an operating landfill site. If that had been part of the initial perspective, they may have said, "If that is what they are going to be looking at, then yes, I want to be a part of that, too." Do you see what I am saying?

Mr. Caplice: Yes, I clearly see what you are saying. It is quite conceivable sometimes that—

Mr. Charlton: That is what I throw back into this discussion about mediation. It is not an

absolute thing in any way that you look at it. What the mediation process runs the risk of doing, and this is an example of that, is by intent perhaps or as in this case by accident, to preclude those who may have otherwise been parties because they do not see the issues as they are being discussed. They do not know what is on the table and they do not know what change is on the table either.

Hon. Mr. Brandt: May I make a couple of quick comments on that and then staff may want to embellish those comments a little further?

First, the original suit that was brought by the parties against the province was, in fact, public. Others were very much aware of that.

Now, when we went to the mediation process, that was not undertaken by my ministry and neither were any of the decisions with respect to the in-camera aspect of those particular undertakings conducted by my ministry. They were undertaken by the Environmental Assessment Board and the mediator appointed by that board. Collectively, that group then made a decision. I was not privy to that information either.

Mr. Charlton: I understand all of that. What I am trying to do is to point out at least a couple of potential shortcomings in the process, because you are touting the process as something you intend to expand and use.

I am not trying to negate the process totally; I have never done that from the outset. I have set out a number of reasons I was unhappy with what I perceived as your approach to mediation, and I am trying to set out here a couple of things I think you have to look at and for which you have to figure out some safeguards.

For example, when the press originally talked to me last spring, after the announcement in the throne speech about this approach to mediation to try to shorten the time involved and reduce the cost of it, I said, and I will repeat here now, mediation may very well be a useful and worthwhile process as long as it is not behind totally closed doors. If they want to sit down and negotiate with a mediator, that is fine as long as it is done publicly and as long as there is recourse for those who are not satisfied with the outcome when it is finished.

Hon. Mr. Brandt: But keep in mind that in virtually every case in which mediation may be employed, the participants in that process can still go through the hearing process. If they decide they want to turn their backs on mediation because they feel it is not working effectively or whatever, they can still go through—

Mr. Charlton: That is the second part of what I wanted to ask. I have asked what recourse individual property owners would have, as a result of that mediation, to go after compensation, and essentially the only recourse they have is to start lawsuits of their own.

Hon. Mr. Brandt: That is right.

Mr. Charlton: What recourse have groups in the community which, regardless of personal compensation for individual property owners, are opposed to the three-year extension of that landfill site? Do they have the right to demand a full environmental assessment hearing on that extension of the landfill site? They were not aware before the mediation that this was going to be an issue in that mediation.

Mr. Mulvaney: I would say not. There would, of course, be a hearing on the search for a new site in that area—

Mr. Charlton: Right.

Mr. Mulvaney: —but the only thing that had to be altered in order to permit that site to continue to operate for an extra three years was a change in an order that had in effect brought the operation of the site potentially to an end. It was an amendment to that order that permits it to operate for a further three years. That does not—

Mr. Charlton: All right. Is the amendment not subject to a hearing under the Environmental Protection Act?

Mr. Mulvaney: No.

Mr. Charlton: That is only if it is an expansion.

Mr. Mulvaney: Yes.

Mr. Caprice: In fairness again, and I do not want to talk about it too much, I do not think mediation in the context in which it was perhaps spoken to in the speech from the throne, and in the general view that other jurisdictions as well as ours have about mediation, will necessarily hit on circumstances similar to this one.

Mr. Charlton: No, I understand that. All I am trying to get at is that some safeguards have to be built in if you are going to pull out of the full public process with full presentation, full cross-examination, etc., that the environmental assessment process entails.

Mr. Caprice: But you have come close to circling around the whole concept of down-zoning compensation in relation to what people perceive to be inconveniences that arrive in their neighbourhoods, be they McDonald's restaurants, be they oil refineries or be they landfill sites. I think that is a whole area of law in which

people can go other routes, if they wish, looking for reduced taxation. Some are successful at it.

Mr. Charlton: My only point here is that they may have missed access to a much simpler route because they did not know what was happening in the process because it was happening behind closed doors.

Mr. Caprice: But the doors were open at the beginning.

Mr. Charlton: Oh, yes, I understand that. All I am saying is that they did not understand what the full range of issues was. If you look at the advertisements that were done by the mediator, they set out a very basic number of issues. There was no reference in those issues to compensation to the people who had outstanding lawsuits and there is no mention of the extension of the landfill site.

Mr. Caprice: Let us be fair, though. The focus on the Pauzé landfill site was a three-year focus.

Mr. Charlton: Sure. I understand that.

9:10 p.m.

Mr. Caprice: Where all these people who now, you say, could genuinely be concerned that they missed out could sit back and say they did not know anything about the landfill, they did not know the potential for it perhaps to be something—

Mr. Charlton: Just to make a comparison—

Mr. Caprice: It is an interesting scenario that they were not there. If they were that concerned, they should have been.

Mr. Charlton: I will give you an example. It was a process I was somewhat involved in myself, although I was not there for the entire hearing. We had hearings around the creation of the Glanbrook landfill site.

Mr. Caprice: I remember it.

Mr. Charlton: You recall that. My colleague was involved fairly extensively in that and I was at a couple of the hearings. The people who were there right from the outset and the people who got involved along the way as other issues were raised and put out there publicly in the press were far different.

People got involved in that process as they learned things. Some people dropped out of the process as they had their concerns satisfied. Others got involved in the process along the way who were not initially involved, because they read and learned about things through the course of cross-examination and so on that they were not aware of at the outset. That is the scenario I am

talking about. That is what the public process provided that the mediation process excluded.

For example, during that hearing on the Glanbrook dump, there was the original discussion, and the most concerned people were the people who lived right around the site. Then we got into discussions of the potential for migration down—I cannot remember the name of the creek.

Mr. Caplice: Twelve Mile Creek.

Mr. Charlton: All of a sudden there were people who were not initially part of the hearing process at all who started to scratch their heads and say: "I may be five miles away but I may have a stake in this. I had better get my behind down there."

Mr. Caplice: I see your point.

Mr. Charlton: I am just talking about process and what we have to look at in terms of safeguards in that process.

Hon. Mr. Brandt: I could not agree more with you. In saying that, I think it is fair to point out that the process was initially introduced here, as you are well aware, immediately after the comment in the throne speech. It is an evolutionary kind of process, one that will evolve and, we hope, get better as we go along.

It is put in place or suggested to be put in place as a means of avoiding some of the very costly hearings that a number of people object to strenuously. Mr. McGuigan raised this point about some things that had gone on in his own area. Perhaps mediation could have been a satisfactory alternative.

I am open to suggestions from either of the two critics or parties with respect to refinements to the process, because it is a negotiating type of settlement that is brought about through the goodwill of people sitting down and trying to resolve complicated problems. When they question the right—

Mr. Charlton: Yes.

Hon. Mr. Brandt: Could I make one more point? I think this is important. It was not an implied, directed or required component of the process by us that it be behind closed doors.

Mr. Charlton: Who demanded the secrecy clause of the participants prior to their participation in the mediation? If it was not the ministry, who was it?

Mr. Caplice: It was the mediator.

Mr. Charlton: The mediator.

Mr. Caplice: Mr. Picher, the lawyer, who is experienced in labour relations negotiations.

Mr. Charlton: All right. He is doing labour relations negotiations where the secrecy is to the public. The secrecy is not between the union representatives and the membership of the union. They have every right to get back to their union in a labour case and talk to the union about where the mediation is at, what is on the table and what the prospects are. In this kind of case, the membership of the union is the general public.

Mr. Caplice: And they are represented in varying degrees around that table.

Mr. Charlton: That is right. What I am saying is that we have to look carefully at that requirement, whether it is imposed by the mediator or anybody else, of doing that kind of process, of taking what is now under the Environmental Assessment Act a fully open and a fully public process and allowing anybody to take it out of the public domain.

I do not care whether we have a full, expensive lengthy hearing or whether there is a shorter way to sit down around a table and negotiate some kind of compromise solution. What I am concerned about is when it happens behind closed doors so that interested parties, who might learn something that concerns them from the publicity around those discussions, and who were not aware of it at the outset and want to become involved in the middle of the process, have the right to do that. You cannot do that when you have mediation going on in private and nothing is made public until the decision is final.

Mr. McGuigan: I would like to offer a submission. I do not think I have any personal objections to mediation, because we all know about the terrific costs of these hearings. I know it well from the Harwich dump in my riding. However, when you come to the end and you have arrived at a settlement, it seems to me that to the extent to which it is possible—and you did make a payment to the township—you should insist that the settlement be made public.

I think the people who got the money and made the deal could very well say to their neighbours: "I was willing to defend my property and I went to a lawyer. I put up some money and it cost me something. I was willing to go to court and you were not or you did not. Therefore, I am entitled to what I got. You have the same recourse. The courts are open to you and you can go and make a case if you want to do so."

However, at the same time I think I would have an obligation, if I were the land owner, to say how much money I got and not to have this bouncing around in the community while I sold out, or did not sell out, or got \$100,000 or \$5,000

or whatever. If I were a minister, I would not want to be part of that suspicion. You could have insisted on those conditions since you gave money to the township.

It might be something to think about for the future. There is always the question in the back of somebody's mind: "Oh, well, they belong to a political party, or they do not belong to a political party. They sold out." It is bad to have those feelings in any community.

We are looking at this business of people who are further and further back from the problem. I have that in my riding with the Chatham airport. There are farmers who are immediately next to the airport and there are farmers a distance back from it. It is very difficult to say, "What is the damage to the fellow who is three miles back?" If I were a judge, perhaps I would say, "Well, it is only \$1," or something of that nature for people who are a long distance away. Nevertheless, those problems should be addressed and laid out openly in public to put the speculation to rest.

I do not think I am against mediation as a process. Perhaps mediation, by its very nature, has to be done somewhat quietly. However, when you come to the end, it seems to me that at least at that point it should all be public.

Hon. Mr. Brandt: As I indicated, we have not etched in concrete our attitude with respect to the mediation process. There is not only the secondary aspect of the mediation settlement that you are discussing, because it was an outgrowth of the first agreement, but in addition there is the very costly solution that was imposed on the ministry and, therefore, on the taxpayers of Ontario. I want to assure you, Mr. McGuigan, that was not necessarily something I looked at with a great deal of glee and happiness.

When the mediation settlement, which I was not involved in at any stage, was finalized and brought to me, one of the questions I asked was, "What happens if I refuse to sign?" The answer I received at that time was, "The entire deal collapses." I want to remind you of my earlier statement that I was not convinced, and am still not totally convinced, that there was a need for the very expensive construction of water lines in that area. However, there was give and take all around, and that is what mediation and negotiation are all about. Somebody gives a little and somebody takes a little.

9:20 p.m.

The bottom line was that the local municipalities could not find another site in that area. The had a search committee, looked for a site, had three or four sites that they investigated

thoroughly and, in every case, the dear old NIMBY syndrome—not in my backyard—reared its very attractive head and stalled them.

They looked at the costs of any other solution, such as hauling the stuff to another jurisdiction, and finally—not this ministry but the people involved, the people who were going to have to pay the bill or find a better solution—said, "We have to get our act together locally in order to solve this problem."

I only want to make that point in the sense that we all lost a little bit and we all gained a little bit. Maybe that is what mediation is all about, I do not know. I appreciate your comments, however, and I have taken them very seriously. We will look at that. It was not a requirement of ours, though, that none of this be made public.

Do you want to move on to Elmira Uniroyal and then to the balance of the sites? Mr. Charlton raised the question of the type of technology and the whole question of cleanup of sites. That is a matter, Mr. Caplice, you may want to deal with in a more global fashion. I do not know if it was site-specific, but certainly in the case of Elmira, when you go through that, there is the final question of what happens if there is a continuing problem with the Uniroyal site. The potential need for cleanup is one of the questions Mr. Charlton would like us to address, so we will take Elmira and then go to Stouffville, in that order.

Mr. Caplice: Trying to be a little bit short in relation to this, I know what Mr. Charlton's concern is. On Uniroyal, I think it has been the position of previous ministers and this minister and the technical people in the ministry in no way to foreclose on the option of having to move in there ultimately and remove some of the material that has been deposited on that site by that industry.

We currently have the industry under a control order. We hope another more definitive set of results is going to come forward from further sampling of the nature and relationship of the material that has been deposited there to the hydrologic setting underground. That set of results should be in to us this fall, and we will be looking seriously at the implications of leaving that material, which they admit was deposited there in the 1960s in the place it is; looking at purge-well technology, for example—lifting it and isolating it through that method as opposed to having to move in there and ultimately remove it.

I do not think any case has been made by anybody that that ultimate decision may not have to be made. The company feels it needs a better set of results before having to face up to that

because it will not be easy technically and it will not be cheap.

Mr. Charlton: Can I get to the specific reason I raised the issue of Uniroyal, the fact that there are some problems around the whole question of cleanup? We are going to run into them sooner or later when we have to make the decision to do the cleanup. I do not know whether it will be the Uniroyal site or whether ultimately it will be Stouffville or Upper Ottawa or somewhere we have not even heard of yet.

Mr. Caplice: Of course, and we did Cosenino-Castoro last—

Hon. Mr. Brandt: We did King township.

Mr. Caplice: We did King township, which was easier.

Mr. Charlton: Right. I do not have my file with me because I thought we were going to be dealing with Dr. Chant tonight, but my recollection of the Uniroyal situation, without going into a lot of detail, was that initially there was a proposal to do some purge-well pumping to try to draw back the stuff from the aquifer.

That was based on a fairly standard discussion about the value of purge-well pumping that we have been having for a number of years now. There was a counter to that at the time saying no, no, no. That was from one of the consultants involved, but I forget which one it was now.

Mr. Caplice: Yes, it was from members of the environmental technical steering committee and the citizens committee. Dr. Cherry and some of his staff raised the question that if you move to purge wells at depth, lifting to try to isolate, you may—

Mr. Charlton: You may draw down the rest of the waste.

Mr. Caplice: Yes, you may draw down the rest of the waste.

Mr. Charlton: The reason I raised the issue is I want to know what we are doing in the ministry, where the ministry is headed in doing research of its own and digging around the rest of this flow for other examples in terms of developing and understanding to the fullest degree possible the available potential technologies for cleanup, so that in the Uniroyal case or in whatever case where we finally have to decide to do a cleanup, we will not be going in semi-blind, doing the wrong thing at the wrong time and making the situation worse.

Sooner or later we are going to run into a situation in which the ministry will actually make the decision that a cleanup has to be done, and we

want to be on top of all the pros and cons of the potential technologies when that happens.

Mr. Caplice: Briefly, I think we are learning in two ways through extensive hydrological studies of the type that Uniroyal is conducting or the type we have seen at Pauzé. First, we in the ministry who have been associated with the landfill issue for perhaps 10 or 15 years feel we have created a whole new science called hydrogeological consulting, and it is bringing forward a large number of answers as a science and as a consulting group.

Second, with some of the lottery funds we have in a couple of specific research projects dealing with various soil conditions and with contaminant cleanup—I believe it is close to \$1 million now, I think that is the maximum effort in Ontario at this stage.

We are watching very closely the situation in the United States, which through the Superfund is facing up to a lot more sites than we may have to face up to because it is a much bigger chemical-based country than ours is, and we will be looking at how it does it.

The ultimate question we are also concerned about, perhaps more as bureaucrats and as process people, is that if we do lift it in some situations, where are we going to take it? That in turn will perhaps require the kind of downstream facilities that Dr. Chant will have in place or some of the Tricil types of things because, in the case of the King township cleanup, as you know, we moved a large quantity of the more contaminated material to Tricil.

Mr. Charlton: Okay. When the questions around Uniroyal were raised, the original proposal for purge-well pumping and the caution from Dr. Cherry and the technical steering committee, did you have your people look at that situation and try to figure out whether either or both were possible?

Mr. Caplice: Yes, and the control order that is on them now asks for a lot more information in relation to the material that has been deposited there and the ground water regime in that general site.

I think it was a valid concern expressed by the technical steering committee to our staff and to the ministry about the potential downward gradient. A purge well, to keep it isolated, draws heavily, perhaps, at a certain stage, and all of a sudden she starts leaking through and then she is gone on you. They asked, "Do you know enough about that hydrologic setting to be that confident?" In relation to the discussions at which the company was part of the steering committee, and

our own staff, we felt that perhaps there was a valid concern and that we should get some further information and look at it.

The company's position—easily understandable, I think, by all of us—is, "Let us get the information before we are put in the position of having to move to such a costly cleanup if we have to move to it."

Mr. Charlton: Just to go back to Pauzé for a minute on the same topic, when the plume was first discovered—we had some early discussions on this, and unfortunately they were before the time of the current minister—it was suggested that we try to clean up the plume by purge-well pumping, and it was said in that case it was not feasible. What was the difference in the ability to isolate and draw back?

Mr. Caplice: One of the things that was making the purge well feasible at Uniroyal, and may still make it feasible, is that it is a fairly large chemical company both here and in the United States. It does have a fairly large bank of carbon filters operating on its normal process wastes, and we do have a nearby sewage treatment plant that sits adjacent to the property and that has been taking some of the process wastes from that industry since 1967.

Again, with respect to the actual setting, we had people who could operate purge wells and who could put in further carbon banks if they were necessary, and then we had the backup of the sewage treatment plant if the wastes needed to be further polished beyond carbon filtration. In other words, we had the setting and the experience of an industrialized chemical company sitting there.

9:30 p.m.

The Pauzé case is a setting in a very rural, cottage type of area. If we were to move in there, we would be looking at lifting large quantities of waste, if that proved to be necessary. Then we would be into the full-scale operation of a very big bank of carbon filters and perhaps even beyond that. Then where would we discharge that? We would be looking at creeks leading to nothing more than to some of the finest recreational waters in Ontario, namely, Georgian Bay and the surrounding countryside.

Mr. Charlton: Okay; I understand that argument.

Mr. Caplice: There were two different settings.

Mr. Charlton: That was not the impression I had at the time. That is an understandable discussion, especially in the context of you

saying that the waste in the plume at Pauzé is not particularly dangerous and is going to disperse itself. I understand that argument. But I got the impression at the time, and again I do not have all my notes here with me, that we were being told that a purge-well pump was not feasible in that geologic setting. Maybe that was just an understatement of what you are now saying.

Mr. Caplice: Yes, plus the fact that we are looking at a purge-well situation in Uniroyal, which is smaller in scale. Hydrogeologists who have looked at that purge-well proposal as professionals truly believe there is a capacity through lifting and in drawing to go to isolation. In the case of Pauzé, if it had been a massive plume, it would have been just a large quantity of water.

Mr. Guscott alluded to the literal lake underneath that Pauzé site. That is a very plentiful ground water area below that ground water table. There is a lot of water. The question is, how much do you lift? In the Uniroyal case, they were always talking of lifting manageable daily quantities of water. They were never thinking of putting down large holes and lifting the whole aquifer.

Hon. Mr. Brandt: Do you want to go on to Stouffville?

Mr. Charlton: Sure.

Hon. Mr. Brandt: You mentioned Upper Ottawa. You wanted to talk about that as well. It is up to you.

Mr. Charlton: Yes, we can get to that.

Mr. Caplice: Well just some general comments on Stouffville and Upper Ottawa, and then you can move on to probably a number of other closed-out or operating landfill sites.

The view of the ministry on Stouffville and Upper Ottawa, and perhaps others, is that unless there is clear evidence otherwise through extensive sampling and monitoring, it is highly unlikely we will move to lifting those large quantities of waste. The position of the ministry is that in most of those situations the predominant amount of waste was normal municipal or mixed industrial refuse. It was either indiscriminate or direct dumping of some industrial wastes of mixed character, and unknown types in some cases, that led to the concern up there.

In Stouffville's case we have monitored, and we have monitored extensively. We have done the surface water drainage in one direction, which is something you got into a couple of years ago. The ground water regime is in another direction. From the advice we have received both

from staff and from consultants outside, we are convinced that we have not got the large, serious problem facing us in relation to migration of a very contaminated plume off the Stouffville site. There is a plume and it has been identified as having chloride as the main contaminant at a very low level, but to the best of our knowledge there has never been identification, from either the samplings we have done or the studies we or the company have commissioned, that the amounts of industrial waste that have gone in there are appearing in some large plume regime around that site.

Our position on Stouffville is that we will see that site close out in June 1986, I believe. Mr. McIntyre can see it happening. The monitoring will continue. The people have had provision of a private water supply at a cost to the company of \$500,000. We hope the situation will be one of monitoring and watching in the years ahead.

Mr. Charlton: I have just a couple of specific questions on Stouffville. I do not want to go back over all we have discussed in the past.

There are recent developments, and I do not know exactly when others became aware of them, but I have become aware of them since we last discussed Stouffville here in the estimates. The polychlorinated biphenyl contamination in—and I forget the name of the family just on the front of the landfill site. Do you remember the name of that family?

Interjection.

Mr. Charlton: The name of the family is irrelevant, because I believe it is one of the families that are getting water. The concern is where the PCBs came from and where they are going to go. To the best of my knowledge, that is the first indication of what we have all considered, at least in the past, a potentially dangerous contaminant that is now offsite.

There seems to be some question about whether it came from the site. That is what I want to have a discussion on.

Hon. Mr. Brandt: For the record and for Hansard purposes, this is Mr. C. E. McIntyre.

Mr. McIntyre: Drilling and sampling have been done at the Stouffville site, as you know. PCBs have been definitely identified on the site.

Mr. Charlton: Identified?

Mr. McIntyre: They have been identified in the soil onsite, not in any ground water below the site but in soils on the site. PCBs also happen to be materials that are adsorbed readily by sand particles—adsorbed; it adheres to the soil and sand particles.

Wells have been extensively drilled around the site, primarily to the south and to the west because that is the direction of ground water flow. In none of those wells have we found PCBs in the water, yet we have found PCBs in a well beyond that.

Your guess is probably as good as mine as to where they came from. If we think about the uses of PCBs in past years, they could have come from somebody changing his oil in his crankcase in 1976. He dumped the oil on his grass and now the PCBs have found their way to the well.

Mr. Charlton: That is certainly possible.

Mr. McIntyre: The probability of it coming to his well from that site is very small, because we could find nothing between the well and the site.

Mr. Charlton: Was the well where the PCBs were found not located fairly close to lagoon 5, the capped lagoon where the highest concentrations of PCBs were found?

Mr. McIntyre: It is not fairly close, but it is not a long way away from it. Let us put it this way. There have been drill holes between the disposal site and that well, and we have found nothing in those. There have been many samples taken.

Mr. Charlton: What were the concentrations that were found in the well?

Mr. McIntyre: I am sorry, I cannot answer that accurately. They were very low levels.

Mr. Caplice: They were parts per billion.

Mr. Charlton: Without getting into numbers, were they comparable with experiences you have had elsewhere? For example, how would they compare with the PCB contamination up at Lake Clear, which was clearly from road oiling?

Mr. McIntyre: Now you are trying to compare PCB levels in soil with PCB levels in water.

Mr. Charlton: There were both at Lake Clear.

Mr. McIntyre: At Lake Clear they were found in the fish and in the soils.

Mr. Caplice: The fish and the soils were the predominant findings at Lake Clear, and the amounts in the water were so minuscule that we were pushing the limits.

Mr. Charlton: The amounts in the well would be higher than what you found in the water at Lake Clear?

Mr. Caplice: Yes. My recollection is of between five and 15 parts per billion in the well at

Stouffville you are talking about, which would be low but still—

Mr. Charlton: It would still be high compared to what you found in the Lake Clear case where road oiling was the issue.

Mr. Caplice: Yes. But what Mr. McIntyre alludes to—some dumping, indiscriminate or direct—clearly could cause that kind of contamination in a well. Long ago, nature just slowly infiltrated.

Mr. Charlton: So again we have no clear relationship there at all.

Mr. Caplice: There is no cause and effect relationship.

Mr. Charlton: You mentioned the discussions we have had about, first, the movement of ground water and, second, the movement of surface water off that site. What, if any, testing has been done in that low area to the north, the swamp?

Mr. Caplice: Ground water testing?

Mr. Charlton: No. I am talking in terms of the actual surface water and a number of complaints from over the years back into the 1970s. For example, there were complaints at one time about a black sludge that went down into that low area.

Mr. Caplice: It is the headwaters of the Holland River.

Mr. Charlton: Yes.

Mr. McIntyre: On the north side of the site.

Mr. Charlton: Right.

9:40 p.m.

Mr. Caplice: We published the Holland River watershed survey. I believe it was about two years ago. I think you were in receipt of that.

Mr. Charlton: Yes.

Mr. Caplice: There was an extensive set of samplings throughout that basin with the primary focus on nutrients and the buildup of nutrients, and on the potential for pesticides to run off into that basin from use and from the land practices of land owners.

However, to the best of my knowledge, and I will doublecheck it, there was no finding of extensive chemical contamination of any of those surface waters in the Holland River studies that related to polychlorinated biphenyls and contaminants such as that.

There was always confusion about the direction thing. We always used to get mixed up about surface water in that area moving in one direction, and then ground water moving in

another direction. We used to get all confused about it at those meetings.

Mr. McIntyre: The north half of the site drains surface water to the north and the south half drains to the south, but hydrogeologically the ground water all drains to the southwest.

Mr. Charlton: The reason I raise this question is that there is a corner—I guess it is the northeast corner, the back corner away from the road on the north side—where there is a pond that is formed in the bush and it appears to be mostly surface runoff.

Mr. Caplice: Yes, it is.

Mr. Charlton: It appeared to me that the pond was having some detrimental effect on the vegetation. It may just be the water itself; some vegetation does not survive in a pond.

Mr. McIntyre: It has been sampled.

Mr. Charlton: And you have found nothing there.

I guess there are two issues about Upper Ottawa Street; one is perhaps a technical one and the other is political. The interim report of the site study committee and the hydrogeological work that was done indicated that there was leachate from the site in the ground a substantial distance outside the site; they were very minute quantities.

We have now established the potential for material from that site to move out towards the edge of the escarpment. My question is, what is happening to determine the potential for the future in terms of movement through that bedrock of potentially substantially larger quantities of toxic material?

Mr. Caplice: It is a situation we are going to have to watch very carefully in the years ahead through the Redhill Creek surveys and some further sampling surveys in relation to the ground water. We are also going to have to see what is said in the final report of that committee Dr. Cherry is on, one of the hydrogeologists whom we talked about earlier from Waterloo.

The indications are that we are seeing a level there now that may not increase, that attenuation and equilibrium may have set in and those minute quantities in the years ahead may not cause a problem for that part of the escarpment and the ground water therein. Of course, it does get out very quickly to Redhill Creek; there is not a long distance before it reaches surface waters.

We will have to have an ever-watching eye on that situation, because we are looking at a landfill site that received, directly and indirectly, quantities of industrial waste it perhaps should not have

received now that we have a better judgement as people about what the ground does and does not have a capacity to absorb. It is a site that bears watching; there is no question about that.

Our intent is and will be to maintain vigilance on the site and be looking at it. If it does start to move, they will have to go to systems perhaps not too dissimilar to the systems that Metropolitan Toronto has had to go to for some of the valley sites, where they have pumping systems in place and they are lifting and going to sewage treatment with that kind of material. That is also the provision at Maple in terms of the pits up there.

Mr. Charlton: What are the capabilities of a sewage treatment plant to deal with the kinds of waste we are talking about at Upper Ottawa Street?

Mr. Caplice: We would have to look at the capabilities of sewage treatment and see whether a pretreatment set may not even be needed ahead of that. We may have to look at things such as carbon filtration and physical treatment to remove and get some of the organics tied up in a different medium.

Mr. Charlton: Again, we may also be looking at Chant's facilities.

Mr. Caplice: Yes. I know your concerns and they are valid.

Mr. Charlton: Okay, another question. You may not know the answer to this. I do not know whether you are getting any ongoing interim reports on boreholes and testing and so on. The hydrogeological comments in the interim report suggested that although they had done basic borehole testing to the east of the site, it was their opinion that likely the migration could be happening in any and all directions from that site. Have they proceeded to do any borehole testing on the north, south or west of the site?

Mr. Caplice: Not to the best of my knowledge, but I will check on that for you.

Mr. Charlton: Now to the political question. It has to do with the collection and flaring system. I do not want to get into the technical arguments because I think I understand them and I think you understand them too.

We have gas emissions coming out of that site. As I understand it, the position of the ministry is that on the basis of the toxicological information we have now, those gases present no health hazard to the community, but two things were being said by the site study committee, as I read the study.

First, there are a number of gases about which at this time the toxicological information is not available. Second, although the site study committee did not feel there was any immediate health hazard, in terms of the long-term unknowns and in terms of, as you put it in the case of the Pauzé situation, the peace and presence of mind of the community, the gas emissions as they have been identified present some problems. The site study committee recommended the installation of that collection and burning system.

Your response to that seemed to deal with only one aspect, the comment that in the light of present toxicological knowledge, there seemed to be no immediate danger to the health of the community. We have a number of chemicals we do not know about. We have the potential for perhaps slow and perhaps rapid increases in volume—nobody knows—in the amounts of gases that are being emitted from that site. We also have a perfect opportunity to have a look at a technology we may have to consider in God knows how many other cases in the future as an interim step, or perhaps as a permanent solution, and we have avoided dealing with it.

9:50 p.m.

It is a fairly costly project for a local municipality or region to undertake on its own. On the other hand, in some kind of a joint funding agreement with the city and the region and the province, and perhaps even the feds, the costs for the ministry would be limited; and in my view at least, and in the view of a number of other people, including some on the site study committee, the scientific potential for knowledge around that kind of technology would be tremendous. What was your rationale for the at least temporary absolute no?

Hon. Mr. Brandt: I do not think that was our response, really. We have not said absolutely yes to everything you have identified as perhaps being necessary at some point, but going back to what Mr. Caplice said earlier, we have not finished the work on that site; there are still some studies going on—continued monitoring, surveillance of the site—and additional data are being collected to determine the extent of the toxicity of the site and offsite migration as well.

There are two issues at hand; they are political and technical at the same time. I agree that there is sometimes an emotional dimension, which may be real or imagined, and there could be a real problem. If there is a real problem, we have to move in and deal with it. The other one is, in some instances, a political decision in the sense

that you do not feel you are endangering anyone's health by not moving on it, but if people think their health is being endangered, there are instances where you try to remove that suspicion to the extent you can.

We made a decision and announced a program that went part of the way on the Upper Ottawa Street site. We have capped the site, as you know; we have venting on the site. I was not particularly impressed with the aesthetics and the appearance of the site.

Mr. Charlton: Were you impressed with the capping?

Hon. Mr. Brandt: Not entirely, but there is capping on the site, which at least reduces the amount of precipitation that moves through it.

Mr. Charlton: Has something been added to the capping in the last year?

Hon. Mr. Brandt: I do not know; I cannot tell you. I have walked the site, and there was capping on the site at that time.

Mr. Charlton: We walked the site rather thoroughly just over a year ago this summer, and there are places where the capping seems quite adequate and as it should be. There are other places on that site where there is garbage sticking out of the so-called cap, the garbage that is supposed to be capped by four or eight feet; I cannot recall what it was now. The garbage is actually sticking out of the cap.

Hon. Mr. Brandt: Let me finish, and then I think Mr. Caplice wanted to jump in on the capping. Perhaps you want to go ahead with the capping.

Mr. Caplice: Yes, I believe after your visit to the site last May—and I was there later—there was a commitment; I will check. My understanding is that they followed through and tried to improve some of the deficiencies in that capping during the summer months of July and August. The grass was not growing uniformly.

Mr. Charlton: That is right.

Mr. Caplice: The clay was breaking away in parts. It was 70 per cent. It was not, as you drove around it, something you could say was going to come on strong with a big growth of vegetation; it was spotty and it needed some improvements, this was something that came out in the discussions the officials had with the minister last May.

To the best of my knowledge they have embarked on that. They intend to do it again next year and they intend to do it in the subsequent year to try to get not only grass and perhaps small

shrubs but also some trees and some other things growing there as well.

But you are right: a year ago if that was what was called a good capping job, then it left something to be desired.

Mr. Charlton: So something is happening on that.

Mr. Caplice: Yes.

Hon. Mr. Brandt: I am glad you raised that point, because I was not aware of some of the problems with respect to the capping until you brought them up.

The difference in cost, as you know, to move from what we have done up until this time and to embark on some investigative technological changes with respect to the treatment of the particular site and, more specifically, the collection and flaring that would be required on the site to move to this type of technology, is probably on the order of \$1 million or more.

I have not indicated, and neither has the staff, that we are not prepared to look at that as a viable option if it appears to be necessary at some future point. We have moved in with a partial treatment in terms of what we think is necessary at this time, but again it could very well be a phased operation. The staff has always left the option open that if it is necessary to reduce the pressure on the site by flaring, then we will go to that type of technology.

Mr. Charlton: I guess my real concern is that the site study committee was very cautious in its interim report and went to great lengths to allay public concern both about ground migration and about the gas venting as well; and yet with all of that it saw fit to recommend the collection and flaring system, even at that interim stage. I do not think they did that lightly. I have talked with a number of them personally and I know they did not do it lightly.

That is my concern about what you are saying. You are saying that, okay, if it is clearly indicated when the whole thing is finished, maybe we will have another look at it. That committee was set up in conjunction with the community and, as in so many cases, they made a recommendation that was turned down, and that does a number of things.

It creates questions in the community about whether this whole site study committee is just a sham in the first place. That is the way feeling evolves in a community. In addition to that, it removed for us as a province the potential to really learn about that particular technology—something which at this stage we do not know very much about.

Because there are serious questions that have been raised about flaring technology in the first place, it seemed to me like the perfect opportunity to take that recommendation and run with it, both in terms of the commitments that have been made with the community about what the site study committee is supposed to be doing for that community and in terms of expanding our knowledge of technologies that we can use in the future.

It is going to cost a little over \$1 million. There is no question about that, but I do not think the suggestion was ever made that this cost should be totally borne by your ministry. If I recall—and, again, I do not have the exact wording with me—after the site study committee made a recommendation, was there not a proposal that came from the regional municipality?

Hon. Mr. Brandt: I cannot recall one. Mr. Caplice, are you aware of such a proposal?

Mr. Caplice: I believe there was a limited proposal for some further collection and for some further venting, but to the best my knowledge they never put the \$1-million proposal on the table. They were talking about extensive evaluations on the collection side of it more than the incineration and the flaring. We are talking not only flaring here. We have to recognize that to move in and collect that volume of gas, with the potential contaminants that could be in it, we are probably looking at incineration and then venting to atmosphere or something. We are looking at a fairly complex piece of technology that ultimately will have to incinerate some of these gases.

But the regional municipality of Hamilton-Wentworth is as much the cautious party as we are in this whole thing. I think it is fair to say that the committee is reporting to them and, with the Ministry of Health, we are funding part of that study. The results of the study are being reported to them and I think they are willing to look at it. The caution they requested of the minister was that they await the final report, which is due in December or January of this year.

Mr. Charlton: The final report is due that soon?

Mr. Caplice: I will doublecheck that, but that is my recollection.

Mr. Charlton: I will have to look back into the regional role in this, because it was my understanding—although they never sent the documents to me—that essentially they had approved proceeding to sit down with the ministry and discuss the sharing of the proposal. That was my understanding.

Mr. Caplice: I think it might have been with our wallet. I am not sure.

Mr. Charlton: That could be and I will have to get back on that myself.

Hon. Mr. Brandt: We have had no indication on any of these sites, during the year and a half that I have been in this ministry, that the federal government would like to be actively involved in environmental protection with respect to specific site cleanup.

Mr. Charlton: On the other hand, you have colleagues up there now who may be more reasonable at listening.

Hon. Mr. Brandt: One never knows. I have stated on a number of occasions when I have the opportunity to speak publicly on the evolution of government at the federal level, I would suggest to you, and I say this by way of prediction, that there will be the odd incident that we will not agree on and the odd policy that we might have some sort of problem in resolving between Ontario and the fine government we now have in Ottawa.

Mr. Charlton: We have the same problems from time to time at caucus meetings.

Hon. Mr. Brandt: That is right

Mr. McGuigan: At least once or twice a decade.

10 p.m.

Hon. Mr. Brandt: At the very least. I wanted to make one point in connection with what we are doing on that site. I do not think there is disagreement between what you are suggesting as an ultimate position and what we may—and I underline that word—may have to go to ultimately to clean up that site.

We are talking about an expenditure that could well exceed \$1 million, however, and that is not a small sum of money in a time of restraint and not a small sum of money in terms of trying to allocate priorities within the ministry. We try to pick those things we feel are necessary and have to be done as opposed to those things we might like to do. If it is proven necessary, however, I can assure you we will make provision for those funds and will move on the collection and ultimately the incineration and the flaring, as Mr. Caplice has indicated.

I have indicated some concern about the flaring, coming from a community where there are a large number of flares. Essentially all around that area, I believe with the exception of one side, you are pretty well bounded by residential housing. Seeing a flare, which happens through the venting process, as opposed to

virtually invisible discharges or emissions occurring may cause apprehensions in the community that go beyond the usual.

I am talking about emotional apprehensions as opposed to real ones. Even if we monitor them and can be absolutely assured there is no problem with respect to whatever those emissions are, the reality is that when you see something it sometimes causes more concern than when you cannot see it.

Mr. Charlton: I understand what you are saying.

Hon. Mr. Brandt: I am not too sure we would abate, reduce or in any way come to grips with that problem of the community saying, "Something bad is going on there," even though nothing bad is really going on. If we have to move to that next step I want to do it cautiously and with the community fully aware of how that position evolved.

Mr. Charlton: Let me comment on the community attitude or the community apprehension. As a member who has been to more meetings in the community around that landfill site than I care to remember, especially since it is not in my riding—it is just outside—I have no doubt whatever that the implementation or installation of a collection and flaring system would create some new apprehensions in some minds. Yet in an overall sense in that community, there is a willingness and a desire to proceed with the kind of system that has been suggested by the site study committee. For the majority in the community that in itself would be a constant reminder that something is being done as opposed to the situation there now.

You are right, there would be some people who would read an article, as I have read and as you have read, about some of the potential problems from flaring and incineration. That would create new apprehensions in those individuals, but in an overall sense that community would be much more at ease if the project proceeded.

As I have said, I have been to umpteen meetings up there with rather large numbers of people from that community. I think that feeling is fairly widespread, at least among a majority in the community.

Mr. McGuigan: In these cases of flaring, is there some reason why that could not be harnessed for energy use? Is there some chemical reason or something?

Hon. Mr. Brandt: It could be done, depending on the proximity of the point to which you are

delivering the energy. It is not unusual to use it. As an example, in sewage treatment plants you recycle the methane from the sludge through the plant. There are numerous plants in Ontario that have a closed system, where virtually all the required energy is supplied from the methane generated within the plant itself.

This is a similar kind of thing because I would imagine there are elements of methane that would be discharged from the flaring. That can be harnessed, recycled and taken to a point; usually it is a question of the logistical problem of delivering it from point A to point B.

Mr. Charlton: In this case, I would assume perhaps all the collection system has to go over the whole site. You could set up the flaring aspect or the incineration aspect over at the fire department training site and perhaps they could make use of the flame somehow.

Mr. Caplice: In answer to Mr. McGuigan's question, the best ones and the most successful ones, from the standpoint of capturing the energy value from the gas rising in the decomposing garbage, are when you know from the beginning you are going to lay the pipes in, you are going to collect it at a uniform rate and it starts as a design proposal.

When you move into some of the old sites and start shooting the pipes through them to try to pick it up, you tend to get a haphazard volume of gas coming at you. It is irregular over the seasonal nature of our climate and you have problems with that type of thing. But, as the minister says, there is a value there. Down at the McCague site operated by the family in St. Thomas, there is some experimental work funded by Environment Canada that is looking at gas collection on some old sites.

If you could start fresh and know you have a place to go, I think there would be a value there. If energy prices had kept going up a few years ago, they would have driven us to look at that type of thing a lot more seriously.

Hon. Mr. Brandt: Just to make one final comment, because it is of a political nature, with respect to the committee's recommendations, it is not unusual for a committee that is not charged with the responsibility or the mandate ultimately to pay the bill for the recommendations it brings forward, to bring forward a rather elaborate series of recommendations. I think that is part of the committee's role.

I cannot think of the names of the committees, but the ones that are appointed by the province to look at provincial buildings make a series of recommendations calling for air conditioning,

additional parking and perhaps a change in the layout of the building. In some instances, it takes a decade before all their recommendations are finally acted upon. It is not because they are not nice to have or attractive to suggest or recommend, but the reality is that the costs proposed by some of these committees are beyond the capacity not only of this government to pay for but of literally any government anywhere in North America.

There are always going to be those things that have to be patched up or repaired or renovated, including the building in which we sit at this very moment, I might add. It is adequate and reasonably appropriate, but you and I all know that chunks of the roof are falling off.

I bring that to your attention not by way of apology but by way of explanation.

Mr. Charlton: It is a very valid point, and that is why I said when I was making my comments that in this particular case the site study committee in its interim report was very cautious. I made that point to deal with what I know has happened in a number of other cases. They were very cautious, and for that reason the one major recommendation they did make should be looked at very carefully.

Mr. Chairman: Is there anything further on landfill sites?

Mr. McGuigan: I would like to ask Mr. Caplice about the Harwich dump site. I will begin by saying that the Sasso brothers are doing a pretty reasonable job of cleaning the place up and meeting the requirements of the licence. Apparently, they are before the courts right now trying to decide on some vagueness that was in the certificate of approval about tonnage that is going in. I do not want to get into that court case.

Mr. McIntyre: To the best of my knowledge, there is no court case. As a condition of their certificate of approval, they were required to submit a plan of operation for parts A and B of their site, which was all that was given to them as a result of the hearing. They came in with a proposal for an operating plan, which we have rejected, sent back to them and said was unacceptable to us. We have met with them and they have agreed to submit a revised plan to us.

Mr. McGuigan: I see. So the revised plan is before you.

Mr. McIntyre: We do not have it yet.

Mr. McGuigan: My information was wrong. I can talk about it a little more freely then.

They have done some seeding, and the place looks quite decent. They have put in some berms,

and certainly it is 1,000 per cent better than it used to be.

Mr. McIntyre: A number of things were required in their certificate that they have not done. For instance, the big berm along one side has not been done, because they had to get their closure plan approved so they would know where to put that berm, which became part of their closure plan.

10:10 p.m.

Mr. McGuigan: So they cannot do that really then until—

Mr. McIntyre: Until the closure plan has been accepted by us.

Mr. McGuigan: The thing that concerns me most is that allegations were made by some of the residents that some of the leachate is reaching the tower drain, I think it is. Part of the plan was to have a sedimentation pond to take that material. That has not been done yet.

Mr. McIntyre: No. It is the same problem as the berm, sir. You cannot build a sedimentation pond if you do not know what your operating plan is going to be; if that has not been accepted. We hope by the end of this year they will have an acceptable plan that we will take to the committee that exists down there and get its approval also. The items that are in the approval certificate can then be met on a practical basis.

Mr. McGuigan: Okay, that reassures me. What I am really looking for is reassurance that all these conditions will be carried out.

Mr. McIntyre: You know there is still a liaison committee down there.

Mr. McGuigan: Yes.

Mr. McIntyre: It meets regularly and sat very recently, about two weeks ago, I believe. One of our staff members from the Windsor office attends all those meetings.

Mr. McGuigan: I am satisfied then, as long as you are aware of what is happening.

Mr. Caplice: We are pleased to hear you say it is 1,000 per cent better.

Mr. McGuigan: When you start pretty low, you can say that.

Mr. Caplice: It is still a lot. One hundred is not bad.

Hon. Mr. Brandt: In the environment field we will take any small degree of recognition or appreciation we might get. We do not get it all that often. It is one of those ministries—

Mr. McGuigan: I am always fair about these things.

Hon. Mr. Brandt: I appreciate that.

Mr. Hodgson: The Stouffville dump has been a centre of controversy over a number of years. It will close down in 1985. What alternative plans do we as the government have for the residents of the Stouffville community and the surrounding area who have been using that sanitary landfill site? Are there any plans at all? I am asked every time, "What am I going to do with my garbage?" Does it have to go to the Maple dump?

Hon. Mr. Brandt: The responsibility for locating sanitary landfill sites is a municipal responsibility. My ministry does provide subsidization or grants for some of that type of site search, particularly if it is on a regional basis, such as you are identifying. Specifically, I will ask Mr. Caplice to respond on any discussions he has had with the municipalities in regard to alternative sitings for another sanitary landfill site, as opposed to a dump site.

Mr. Caplice: In connection with the regional municipality and the responsibility, as the minister says, we have always stated that the collection responsibility is either at the regional level or at the local level. York is blessed in having access, if it wishes, on a certain basis to the large Maple site, which can take refuse not only from Metropolitan Toronto but also from the regional municipality of York.

What may well happen up there in the collection area is that a set of transfer stations may go in. The haul to Maple is quite feasible. The road network is there. What is probably missing is a compaction transfer station point or a central point for that eastern part of the regional municipality of York. I would not anticipate there being a great problem. At least they are not dumping it on our doorstep and saying it is our problem, as they usually do when they have nowhere to go.

Mr. Hodgson: Where would these transfer stations be located?

Mr. Caplice: If they are proved necessary, they would have to be selected by the regional municipality, looking at all the different aspects of collection and transfer costs, and located through a hearing process similar to the ones Metropolitan Toronto has gone through. Metro Toronto has located at least five transfer stations in both the east and west ends of Toronto over the last 10 years.

Mr. Charlton: May I jump in on that before you go on, Bill?

Mr. Hodgson: Let me finish.

Mr. Charlton: Just on this issue of transfer stations, I want to ask one supplementary; that is all.

Mr. Hodgson: Go ahead.

Mr. Charlton: Is there a set of standards for transfer stations? Are they all essentially the same as the ones I would be familiar with in Hamilton-Wentworth?

Mr. Caplice: No. They vary in size and complexity depending on the municipality they have to serve. There are some very simple ones that have been put in some of the municipalities in the Alliston area that are of a small nature. They may run to \$200,000, and then there are the ones in Muskoka which are called transfer stations, but in some cases are nothing more than two large buckets that are collected on a regular basis and the cottagers and others have access to them. There is no given book with a set of standards.

In Metropolitan Toronto's case, it got into some pretty close urban situations in Scarborough and in the west end. They had to go to extensive screening, noise controls and fencing. Traffic access has also become quite an issue in and around those stations. We do not have a book, as you would call it, that we hand to people and say, "This is how you design a transfer station." Some of them have to be looked at on a case-by-case basis, but they work well.

Mr. Hodgson: I understand that the Maple site is owned by Metropolitan Toronto at the present time; that it bought it.

Mr. Caplice: They have bought that site.

Mr. Hodgson: There is an agreement with the region of York that they will take the garbage, whatever it is—landfill if that is what you want to call it; I call it a garbage dump.

Mr. Caplice: It is pretty expensive garbage.

Mr. Hodgson: It is a garbage dump.

Hon. Mr. Brandt: Somehow I like sanitary landfill site better.

Mr. Hodgson: It sounds better for the minister.

Hon. Mr. Brandt: It is also better for the member representing the area.

Mr. Hodgson: Who has control? I know Vaughan is there with a certain portion it has to reimburse because it is taking the sanitary fill. The region of York has to be there for a certain portion. What would you estimate it would cost for a ton of garbage to go into a landfill site in the Maple area?

Mr. Caplice: I cannot give you the exact figure.

Mr. Hodgson: The approximate cost.

Mr. Caplice: I understand Metropolitan Toronto charges somewhere in the range of \$14 to \$17 per ton over its scales as a tipping charge.

Mr. Hodgson: What return goes to the town of Vaughan and what return goes to the region of York, of that \$14?

Mr. Caplice: A royalty per ton goes to the town of Vaughan and to the regional municipality of York. I am not sure you do not know more about it than I do. There is access guaranteed for waste arising in certain designated areas in the regional municipality of York. I do not know of the detailed nature of the discussions that went on between Metropolitan Toronto and the regional municipality of York, but they did sit down and have extensive discussions.

Mr. Hodgson: It is going to be a very expensive landfill site because there is the best protection there of anywhere in Ontario as far as the environment is concerned, or so I understand.

Mr. Caplice: It is a highly engineered site.

10:20 p.m.

Mr. Hodgson: How is it going to finish up years down the road? Nobody wants to accept a landfill site near, or even miles away from, where he lives. It is going to cost us more in the years down the road for a landfill site to get rid of our household garbage and so on, than it is to supply our hydro, our water or whatever we have to pay for our other services. It is going to cost a lot of money.

We have to support our minister in this. He is trying to do the very best he can in the ministry to make things safe for people. If we are not prepared to pay for these services and the protection we are asking for, it is going to be very difficult for that ministry 10 years down the road.

Hon. Mr. Brandt: I cannot disagree with that. It is going to cost more money for municipalities and ultimately for taxpayers to move to fully engineered sites that are environmentally safe in every respect. A lot of that type of information was brought out in the whole discussion surrounding the blueprint document where we dealt with such things as perpetual care and closeout procedures and all of that.

I have also made comments in connection with the unrealistic budgetary allocations that are made by municipalities in terms of the whole question of municipal waste that has to be collected and disposed of. Most municipalities make absolutely no provision for the day on

which they have exhausted their present landfill site. Then there will be the quantum leap that was identified and spoken of earlier by Mr. Caplice. Where we used to dig a hole in the ground and dump the garbage, now we have a fully engineered site at a tremendous increase in cost. There is no question about that at all. What that is going to cost the taxpayers is what you are talking about and I cannot disagree with that. That is correct.

Mr. Hodgson: My recommendation to the municipalities which have a landfill site, and I can cite three of them in the area I represent, would be to collect a fee. If you go in to dump your garbage and you are a resident of the municipality, it costs you nothing, or only a very minimal amount, and a caretaker would see that you come from that municipality. He would direct you over to that area if you have this kind of garbage or tell you to dump it over here if you dump something else. I think they should be collecting a fee for the day down the road that you mentioned, when they have to go to a disposal site such as in Maple.

Mr. Chairman: We are still on, as far as I can recall, the minister's response to the opposition's remarks.

Mr. McGuigan: We can skip over landfill pretty quickly when we come to that.

Mr. Chairman: I would hope so. We have pretty well covered the issue.

Mr. Charlton: It is all important.

Mr. Chairman: It is.

Hon. Mr. Brandt: I am taking note of the clock, and I do not know what question we can deal with in the approximately five minutes that remain, but I would like to suggest to both parties and to the committee members that perhaps we could deal with a question that was raised in respect of the S site hearings.

We have Mr. Mulvaney here, who heads up our legal staff. The members of the committee may recall that I made a statement in the Legislature on May 7 in regard to this question, specifically related to the criticism that my ministry had been subjected to in respect of the handling of our intervention in the S site landfill proceedings in Buffalo. The case is still before the court and no judgement has at this point been rendered.

In my statement in the Legislature I dealt in detail with these criticisms, which centred on the position taken by Mr. Philip Sunderland and his presentation of our case. I indicated that the firm of Terris and Sunderland was one of the most

highly respected law firms in the United States, specializing in the environmental field. We are confident from the standpoint of the Ministry of the Environment that the case has been handled in a capable manner and that these criticisms were unfair and unfounded.

That is the position I took in the Legislature. I reiterate it here tonight. The question was raised in the opening statement by the member for Kent-Elgin (Mr. McGuigan). I will let Mr. Mulvaney deal with the question since he was directly in contact with the law firm representing our case in the United States. The member may wish to ask him some questions on it.

Mr. Mulvaney: I have reviewed the transcript of the evidence of the hearing that took place in that case. Basically, what developed was that our attorneys, the firm of Terris and Sunderland, put forward a couple of novel and very forceful arguments in opposition to the settlement that had been reached between the environmental protection agencies in the state of New York and Hooker Chemicals. It was to a large extent a policy argument, but it was a brilliant one based on an analysis of the United States legislation, judicial decisions and policy statements made by Congress and by the courts. It was an extremely novel, creative and convincing argument.

Another thing the firm in the case did was to carry out the most penetrating analysis of the agreement that had been reached. There was no flaw or error in that agreement that was not laid bare by this analysis carried out by the law firm. It was a most exhaustive and thorough analysis, and the judge can have no doubt that any ground was not covered. If there are any weaknesses in that agreement, and there were several, the judge has been made aware of them.

Nevertheless, there was criticism over the approach taken by our attorneys and the tactics employed in the case. As you always find in litigation, or as you often find in litigation, things do not develop exactly as you have planned. You have to make judgements in the course of handling a trial or a hearing, and you have to make those judgements on the spot, on the basis of the knowledge you have of the witnesses, what they are prepared to say, what they are capable of accomplishing and the data they have to work with.

On the basis of all that, I am convinced the law firm did a highly capable job in difficult circumstances. We do not yet know the outcome of that case. There is no decision rendered yet by the court, but my review of their handling of the case indicates to me they did a very good job.

Mr. McGuigan: I am in no position to argue, because I was not there and I was not privy to it. I will have to accept what you say.

Hon. Mr. Brandt: We have about a minute left. Maybe I could raise one question that was raised by the Leader of the Opposition (Mr. Peterson) in the House relative to this matter. We have not got a great deal of time, but there was a great foofaraw created when I mentioned that the Sierra Club had been represented by this same firm. The leader of the official opposition said the Sierra Club had not heard of the lawyer. I am trying to say this as fairly as I can, because this is the question that was raised in the House. The member for Hamilton Mountain (Mr. Charlton) can be an objective party and observer on this one.

The lawyer in question, whose name I cannot recall at the moment, was not involved with the Sierra Club. They made a very clear distinction between the firm of Terris and Sunderland and the lawyer who acted on our behalf. Could I have your view of that? I do not know why the Leader of the Opposition brought it up, other than there was that distinction made, I guess implying that the lawyer was not as competent as the firm. The firm obviously had acted on behalf of the Sierra Club, but the lawyer had not.

Mr. Mulvaney: The lawyer is, of course, one of the two senior partners in the law firm of Terris and Sunderland, which is indeed the firm that has acted, through various attorneys I think, for the Sierra Club. I understand the Sierra Club has offices in all the major areas of the United States, so I can well imagine them calling somebody who might not have known Bruce Terris or Phil Sunderland. If they look at their own history, however, the history of the Sierra Club's litigation in the United States and before the Supreme Court of the United States, they will find that law firm has been responsible for many of their landmark decisions at the time of the origins of the Sierra Club.

Hon. Mr. Brandt: This was, I might add by way of extension to Mr. Mulvaney's statement, in connection with cases that were being developed opposite the Environmental Protection Agency of the United States.

Mr. Mulvaney: Yes. This is not a law firm that has acted for large industry. It is basically a public interest law firm that throughout its history has acted for environmental groups and for public interest groups in a variety of fields, primarily in the environmental field.

I have looked at its record and you would have a hard time finding a more impressive record of

litigation on the part of any firm in the United States.

perhaps we can answer one or two more questions from the opposition.

Mr. Chairman: Thank you very much. We will now adjourn until next Tuesday night and

The committee adjourned at 10:31 p.m.

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Thursday, October 11, 1984

Adjournment: R-617

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Charlton, B. A. (Hamilton Mountain NDP)

Hodgson, W. (York North PC)

Kerrio, V. G. (Niagara Falls L)

McGuigan, J. F. (Kent-Elgin L)

From the Ministry of the Environment

Caplice, D. P., Assistant Deputy Minister, Regional Operations Division

Guscott, D., Operation Co-ordinator, Regional Operations Division

Mulvaney, J. N., Director, Legal Services Branch

McIntyre, C. E., Director, Environmental Approvals and Project Engineering Branch



No. R-22

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of the Environment

Fourth Session, 32nd Parliament
Tuesday, October 16, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, October 16, 1984

The committee met at 8:06 p.m. in room 228.

ESTIMATES, MINISTRY OF THE ENVIRONMENT (continued)

Mr. Chairman: I recognize a quorum. When we adjourned on Thursday last, the minister was in the process of answering a number of questions posed by the two opposition critics. I believe at this point we are probably up to question 3 or 4.

Mr. Elston: Might I just say a couple of words, Mr. Chairman? I apologize for not being here last week. Some commitments moved up in a schedule that I thought would be more locally oriented.

Mr. Lane: What is the real reason?

Mr. Elston: The real reason? I had two or three meetings at home. I really did.

I noticed the minister mentioned the trip to Illinois in his opening statement. I would like to put on the record that I thank the minister for the opportunity of attending there, along with my colleagues.

I would like to say with respect to those events, which turned out difficult for some of us on the Friday, that I found in particular two or three of the ministry representatives who attended—I see one of the people here, Tom Ridges—to be most commendable advocates concerning the acid rain issue. I would have to say the staff people who attended that event with us are to be congratulated for their tenacity, even in the absence of the minister, who was off at other endeavours. I think he went to a Detroit Tigers baseball game or something.

Hon. Mr. Brandt: You are being very presumptuous.

Mr. Elston: In any event, I want to say in a very public fashion that I was very pleased to be part of that delegation and pleased to participate in a small way with the efforts of the staff members, and with members of all parties, in looking towards the goal we all would like, and that is reduction of acid rain.

Those are the comments I felt I should make in this public forum and I wish to extend my thanks to the minister. I will not take up any more time. The opening statements have already been made and we will let the minister address them.

Hon. Mr. Brandt: Mr. Chairman, I deeply appreciate the comments made by the Liberal Party critic with respect to this matter. I think the member for Hamilton Mountain (Mr. Charlton) would join with me in saying that although there are partisan differences on occasion on many issues, on the acid rain issue there certainly are very few, if any, partisan differences.

Perhaps on occasion my colleagues opposite might like me to move somewhat more quickly on some of these issues and somewhat more expeditiously, but we all recognize the difficulties. I want to express my thanks as well for the support from both critics, not for an Ontario position or a provincial government position but, frankly, for a position that represents the citizens of Ontario.

On the occasion of our visit to Illinois—and I had to leave because I had another meeting to attend—it was somewhat comforting for me to hear that the position that was put forward of what Canada and Ontario were attempting to do was a very serious one on behalf of all of us. That sometimes bodes well for what we are trying to achieve in terms of trying to get the Americans to take some action on this whole question of sulphur dioxide controls; so I would like to express my thanks to the critics for that as well.

We are attempting to move through the series of questions raised by the critics in their opening statements, and the area I would like to move into now is the whole question of toxic wastes, which was raised by the New Democratic Party through the member for Hamilton Mountain.

I am going to call Mr. Ron Gotts forward. Before I do so, however, I would just like to say—and this is partly for the information of the member for Huron-Bruce (Mr. Elston)—that we have covered landfill sites, some of the key sites that are perhaps somewhat controversial, and we have also covered the area of mediation, more specifically, surrounding the whole question of the Puzé landfill sight.

Mr. Gotts, however, as I introduce him to you, is the director of our waste management branch in the ministry. I am particularly proud to have an opportunity to introduce Mr. Gotts today because he has been invited by Environment Canada to represent not only Ontario but the whole of Canada at a seminar that is taking place in

Philadelphia at which the state legislative committee is going to discuss the whole question of waste management.

It is of importance for this committee to recognize that Mr. Gotts is not only an Ontario representative in the area of waste management, and specifically on the dimension of toxic chemicals, which we are going to get into in this part of our discussion, but also is a member of my staff—and I am particularly proud as the minister to say this—who has been invited by Environment Canada to represent a Canadian position concerning waste management.

I wish Mr. Gotts well in his endeavours tomorrow. It is certainly a compliment to the ministry, and to the staff we all work with, that he has been chosen for this responsibility. I hope he does well in his endeavours tomorrow.

Mr. Gotts, I will ask you to come forward. The question was raised by the member for Hamilton Mountain, who basically expressed concern about the approach of some consultants on toxic chemicals. He wanted to have more details on the ministry's approach to toxic chemicals in the environment, and that was fairly all-encompassing. Perhaps you can begin.

Mr. Elston: Presumably he will be delivering his seminar to us.

Hon. Mr. Brandt: I do not know what he is going to be delivering; I have not talked to him in advance about this.

Mr. Gotts: Mr. Chairman, I also have with me David Redgrave and Ed Piché. Collectively, we are going to talk about toxic chemicals and hazardous wastes. My particular area is hazardous wastes.

I must admit I hope for a fairly short question period because we have to catch a plane very early in the morning.

Mr. Chairman: We will try to accommodate you.

Mr. Gotts: Just to elaborate on what the purpose is tomorrow, I think the state of Pennsylvania has been exposed to our Blueprint exercise—

Mr. Haggerty: What is that? Tory propaganda?

Mr. Gotts: I did not pick the name.

Mr. Chairman: It is very good.

Hon. Mr. Brandt: Can you imagine, sir, if this document were referred to as the pinkprint? It just would not wash; it is not appropriate.

Mr. Haggerty: There might be some mind-bending in it.

Mr. Charlton: It depends on who you are talking to whether it would wash.

Mr. Gotts: Basically, Environment Canada and the state of Pennsylvania recognized a certain level of commitment concerning waste management with respect to both hazardous wastes and municipal waste management and they wished the benefit of some of our experiences. We hope that talking about these tomorrow will be of some help to them in styling their program. Perhaps we can also learn a little bit while we are there.

For the specific question on toxic chemicals—and we may broach that of hazardous wastes, so I will stay here for it—we should call Ed Piché forward to speak specifically to the question that was asked. I will stay on hand to discuss questions with respect to hazardous wastes that may flow out of it, as well as waste management in general.

Mr. Redgrave: Mr. Chairman, with your permission, perhaps I could answer the question of the member for Hamilton Mountain first and then move on to have Ed Piché explain some of the details of our approach to toxic substances.

I would like to deal, first of all, with the strategy that has been in place for the best part of two years and has been unfolding inside the ministry in terms of the administrative approach to toxic substances.

We have undertaken an extensive upgrading of the regulatory instrumentation. In that, we include the standard-setting itself and the processes for setting standards for air, water and industrial waste. To date, we have undertaken a number of activities. We have established the hazardous contaminants branch, which has the responsibility of co-ordinating this exercise across the ministry.

The initial focus has been on exploring alternative mechanisms by which standards can be set. It is not a very easy process and it is somewhat expensive. It can cost, for example, up to \$500,000 to set an environmental standard for one compound. If we are looking at many compounds, that can add up to quite a bill, so the size of the undertaking has been a major concern to us and ways of rendering it efficient, as well as fair and equitable, have been of some considerable concern. It is a troublesome issue for all jurisdictions, not just this jurisdiction.

In addition, we have tried to establish stronger linkages with the federal side. They have considerable jurisdictional and legislative responsibilities in this area—in the area of drinking water, waste water and the air and so on. We

have begun the exercise not only by exploring alternative mechanisms but we have also looked to processes for identifying priority pollutants. When there are so many potential pollutants to chase, one has to have a process, which Mr. Piché can explain to you, for narrowing the search down to the most important ones. Again, that focus is on cost-efficiency and, if you like, the efficiency of the process in protecting public health and environmental health.

To date, we have undertaken that exercise and made the first runs at it to identify priority pollutants and discuss those quite extensively with our federal colleagues. Internally, we have had a *de novo* run at two substances, microbiological substances in regard to recreational waters and dioxins and furans. We have laid the groundwork for the setting of standards on a new basis there.

Also our ministry has been extremely active in supporting the Canadian Centre for Toxicology. We have argued and fought for the establishment of that institution because we believe that without it, in the long run, the effort to establish standards will be hampered. We need, nationally and provincially, a networking agency of specialist proportions which will enable us to call in, at the lowest cost and best reliability, the best available technology and information on the setting of standards.

The member for Hamilton Mountain referred to the use of consultants. This, indeed, is a very tricky area. One can become incredibly dependent upon internal experts. I mentioned earlier that we had been looking at alternative ways of setting standards. One of the fundamental problems in setting a standard is which among the experts does one believe and how does one reconcile the differences among experts.

Normally what we do is have internal experts on matters of toxicology within the government. They are not within our ministry but in the Ministry of Health and the Ministry of Labour. We also adopt the strategy of calling in and using expertise from outside. We generally try to get the best available people in Canada or from around the world, if that is appropriate.

We try in the first run using experts, internal and external, to establish what one might call the scientific foundations. Those are the foundations on which a standard will be based. That usually looks at the risks to human beings and risk to the environment and establishes, if you like, a framework within which a broader public review may take place.

8:20 p.m.

At present we are looking at, as I said, microbiological standards and dioxin standards and we have now completed a microbiological standards paper, which is the scientific foundation and which will go on, we hope, through some public review process, as will the dioxins. The dioxins paper is either almost complete or very near to completion.

I believe the Minister of Health (Mr. Norton) mentioned in the House that there was an intention to establish a public review process, and the minister has also referred to that in speeches. It is that process we are now looking at, the kind of process we should have to review these scientific papers and to advise the minister on the setting of standards.

I would like, Mr. Chairman, with your permission, to have Ed Piché say something about the kind of outside consultants we have used in getting these two papers together, one on dioxins and the other on microbiological foundations.

Mr. Piché: Mr. Chairman, I would like to begin by adding one additional point to Mr. Redgrave's comments concerning standards. The Ministry of the Environment has a significant history in creating guidelines or standards or objectives to deal with so-called hazardous or toxic substances. These legislative guidelines exist under the mandates of the water resources branch, the air resources branch and the waste management branch.

Specifically referring to the initiatives the Ministry of the Environment currently has under way with respect to setting standards and, more specifically, the microbiological initiative, the ministry has deemed it appropriate to establish internal experts and external experts.

The internal experts are responsible for canvassing all the relevant literature on a world basis and doing the groundwork in terms of writing the document. The external experts—for example, for the micro-organism document—represent individuals who are internationally renowned and recognized for their contribution to the known literature in the area of endeavour. I am going to relate the specific individuals who dealt with the development of the scientific criteria document for micro-organisms in recreational waters.

The first individual is Dr. Donald McLean, who is a medical doctor. He is now professor of medical microbiology at the division of medical microbiology, faculty of medicine, University of British Columbia, Vancouver. On that committee we had, in addition to Dr. McLean, Dr. A.

Dufour who is chief, bacteriology section, toxicology and microbiology division, Health Effects Research Laboratory, United States Environmental Protection Agency, Cincinnati, Ohio. Dr. Dufour was selected for the external expert committee because he is a world leader in the design and research that establishes the link between epidemiology, the study of disease, and the level of indicator organisms in recreational waters.

Another individual involved is Dr. Jacqueline Carlson, senior medical consultant, communicable disease, public health branch, Ontario Ministry of Health.

Others on the committee include Dr. Steve Corber, medical officer of health, Ottawa-Carleton regional health unit, who represents the medical health community in Ontario; Dr. Harding le Riche, professor of epidemiology, department of preventive medicine and biostatistics, faculty of medicine, University of Toronto; Professor Pat Seyfried, also of the University of Toronto, department of microbiology, and Dr. Richard Tobin, monitoring criteria division, bureau of chemical hazards, health protection branch, Department of National Health and Welfare.

I think members would agree that the individuals involved on the external committee make up a very good representation of world experts in the appropriate areas.

Turning now to the dioxins and the benzofurans initiative, we have also an internal expert committee and an external expert committee. The external expert committee consists of four distinguished individuals: Dr. Hutzinger, who has two affiliations in Holland and Germany; Dr. G. Plaa in Montreal; Dr. E. Spencer, formerly a professor at the University of Western Ontario; and Dr. S. Safe, a Canadian affiliated with the University of Guelph, who has a dual affiliation with Texas A and M University. Dr. Safe is an internationally renowned specialist in the area of polychlorinated biphenyls, PCBs, dioxins and dibenzofurans.

Collectively, the approach represents, in my opinion, the best approach to give us in our exercise a critical, objective, scientific assessment of the scientific literature on a world basis and ensures that we will have a true scientific approach to the exercise we have been mandated to deal with.

Mr. Elston: Do you mean that every so often you pull all these people together and they are reviewing papers constantly?

Mr. Piché: The exercise exists in the following manner: First, we have looked very carefully at the various means that are being utilized on a world basis to develop standards for so-called toxic substances. After a careful look at the various methodologies employed, we have divided the operation into several phases. We call them science, synthesis and strategy.

In the science area we have two distinct subdivisions, risk identification and risk analysis. Risk identification attempts to take the five million substances of concern and reduce that to a small sphere of manageable, high profile substances such as recreational water micro-organisms such as furans and dioxins.

When we have decided on which of the substances we are going to focus our attention—I am sure you appreciate we cannot do all five million; it is difficult to do even several simultaneously if I am going to be candid—we then canvass our own internal expertise, who then prepare a request for proposal to prepare for us a compendium of world-level literature, all the best scientific literature on that area of concern. If it is furans, we may have several thousand citations from all the published world literature.

When that information is available to us, our internal committee begins to make an assessment of who the world leaders are in that area. We contact these leaders and implore them, for some amount of money, of course, to participate in our activity.

The next stage is to begin writing the document. Roughly every six weeks the internal and external committees meet to discuss progress, areas of concern, problems and so forth. Gradually, over a period of time, the document evolves. The internal committee actually writes the document, but it is sounded against world-class external expertise.

Mr. Charlton: Who is on the internal committee for dioxins and furans?

Mr. Piché: The co-ordinator of the dioxin program is a Dr. Brendan Birmingham of my branch. There are representatives from air branch, water branch, laboratory services branch, regional and policy branch. If you wish to have the specific names and backgrounds, I am quite prepared to give all the details.

Hon. Mr. Brandt: In addition to what you have just covered, the whole question of dioxin and dibenzofurans and the committee you have identified, I made reference in my opening remarks, as Mr. Charlton may recall, to the fact that the committee that has been set up will be reporting, to the best of the information I have at

the moment, prior to the end of this year, establishing standards that have not as yet been established anywhere in the world with respect to the dioxin-dibenzofuran question relative to water quality.

8:30 p.m.

Although we do have the first standard that has been established for dioxin in air emissions, we are now moving to have this select committee, or blue-ribbon committee, do the same thing for us on water quality. I think it will be a report that not only will be at the leading edge of the science of this question, but I am hoping it will be accepted on a very wide basis throughout many parts of the world because we are breaking new ground—I think that is fair to say—at some considerable expense, I might add, to the taxpayers of Ontario. We are at the leading edge of this question and I think it is an important one.

As members will recall, at two separation locations we have found very low levels, almost at the background level, of dioxin in recreational water in Ontario. I identified those two locations in the House.

The question came up today in the House with respect to the problem of the leachate from the Hyde Park site in Niagara Falls, and again that is somewhat directly associated with the dioxin question on another occasion. It is not something that is remote or is in any way euphoric or removed; it is a very direct area of interest with which we have to come to grips.

Quite frankly, we have been fortunate up to this point that we have not detected dioxin in drinking water anywhere in Ontario, but we have detected it twice in recreational waters.

I want to mention that the committee will be reporting, I hope before the end of the year, and we may have the standard-setting exercise completed for release at that time. That report will be made available to you.

Mr. Charlton: Mr. Chairman, perhaps I can get in here, since this whole discussion seems to have revolved around the question I raised in my opening comments. Perhaps I was not specific enough; I did mention I wanted to get into it in more detail later.

My concern is not around whether or not the ministry consults with outside expertise. In fact, I think we would all think it was crazy if it did not. My concern was around the way in which consultants are used from time to time, and my question was prompted by one very specific concern. That happens to be Dr. Harding. I spoke to the minister very briefly about it privately,

while we were having dinner with the Queen, I believe.

Hon. Mr. Brandt: That is right.

Mr. Charlton: So I did not have a chance to have a full discussion of it. I believe Dr. Harding is from the occupational health and safety branch of the Ministry of Labour, if I am incorrect.

At any rate, three weeks ago I attended a meeting in London around the Westinghouse Pottersburg Creek situation, a very lengthy meeting, a meeting that essentially was being run by the Ministry of the Environment. This is what I want the minister to remember when I get to the punch line in this story because that is where I see the problem.

This meeting was being run by the Ministry of the Environment, presumably to make specific what the ministry's intentions were in terms of both the Westinghouse site and the future of Pottersburg Creek and the Thames River. In addition, I assume the purpose of the meeting was to try to allay some of the fears in the community.

It was a lengthy meeting in which they went through in very great detail the discussions about the findings on the Westinghouse site, then the proposals for cleaning up the Westinghouse site, with a lot of questioning from the public about the containment and the protection against accidents around that containment. It was a very lengthy meeting.

Then we went through very lengthy discussions with other staff from the ministry about testing that had been done in Pottersburg Creek and down into the Thames River, both in terms of fish and, I believe, clams, in the sediments and in the water as well. It was a very lengthy discussion and very well done in terms of its understandability, I think, by the crowd.

Unfortunately, we ended up with Dr. Harding wrapping up, supposedly to talk to the people about the health risks or potential health risks, or lack thereof, of the specific situation around Westinghouse and Pottersburg Creek.

Then Dr. Harding got on, and this is why I am raising it; I want to hear from the minister what his feelings are about this. I will be receiving a transcript of that meeting, but unfortunately I do not have it yet. He raised a number of side issues at that meeting which we will be raising specifically with you and with the Minister of Labour (Mr. Ramsay) when we have the transcript and the actual wording.

Essentially, what Dr. Harding did at that meeting was almost totally to discredit the Ministry of the Environment. He extremely upset

all of the several hundred people who were at that meeting, along with me. I must admit I got quite angry.

At any rate, essentially what he said was there are no problems with toxic chemicals, that the government and the ministry have put far too many restrictions on the industrial use of chemicals, that we needed to be looking seriously at removing some of the restrictions we have put on the use and disposal of chemicals in this province so industry can go on its happy and merry way to making money again. I am not quoting exactly; I am just telling you essentially what he put out to that crowd.

He said Westinghouse was wasting its money cleaning up the Westinghouse site and essentially that the ministry was wasting its time and taxpayers' money by investigating these kinds of things and going through the process of forcing these kinds of cleanups.

In response to some questions from some of the people in the audience about the potential presence of dioxins and furans at the site as well as the polychlorinated biphenyls, he went on to say he did not perceive any problem in that place. Somebody went so far as to ask him whether he thought we should reinstate the use of 2,4,5-T or Agent Orange, and he said yes, there was no reason not to. Generally, he took a whole range of positions like that.

Essentially, he ended up saying that most of what we have done over the last 20 years in terms of trying to establish standards for some of the toxic and dangerous chemicals in this society, setting regulations on their use and disposal, have been a total waste of time. In his opinion, there were no health risks from the use of most of the chemicals. These chemicals did not cause illness and did not cause cancer. In his opinion, all of the problems we face in this society relate to stress.

I am quite sure this is not the position of the Ministry of the Environment. However, I go back to where I started out. This was a meeting which was put on by the Ministry of the Environment. The people in that crowd certainly were left with the impression that some of what Harding said must be the position of the Ministry of the Environment or why would it have him there as one of its presenters.

As I suggested, for the people who were at that meeting, he badly damaged the reputation of the ministry. To use a consultant who has opinions like that in that way, especially when I hope they are not the policy of this ministry, is very counterproductive in terms of the ministry's

ability to have relationships and to come to logical and useful accommodations with communities around what become very frightening and emotional issues to most communities.

It is also counterproductive in terms of our relationships here between the opposition and the government. I was not the only politician who was at that meeting; there were a number of local politicians. Mr. Van Horne from the Liberal caucus was also very upset with the presentation. Basically, I am asking the minister his view of that kind of a presentation and whether, as I believe, the ministry policy essentially runs totally counter to the kinds of things Dr. Harding was saying.

8:40 p.m.

Why is the ministry using somebody like that as a presenter, somebody who comes off looking as if the opinions he is expressing are official, because the meeting was being sponsored by the ministry and the presenters were selected and arranged for by the ministry? Why is the ministry using somebody like that in a situation which has people coming to that meeting to seek some reassurance about cleanup and to receive some reassurance about themselves and their children, and to have that as the wrapup for the meeting and leave them just totally up in the air, frustrated, angry and very unclear about what the future is for the environment?

Hon. Mr. Brandt: I am pleased to have an opportunity to respond to that. I do not have with me the transcript you were speaking of earlier with respect to that particular meeting, so I will have to proceed on the basis of the comments you have made.

I want to give you every assurance, in the most unequivocal fashion I can, that the position of this ministry is that there are toxic chemicals in the environment that have to be controlled. As was indicated earlier by the staff who spoke to this issue, we are fighting on a daily basis to identify appropriate, safe levels for any of these toxic substances in our environment. You are well aware of the comments I made before you spoke in connection with the dioxin-furan question, and I can tell you we are expending great sums of money in an attempt to determine what those safe levels are.

For someone from whatever ministry to suggest that either we have overplayed or are giving too much credence to the problem of toxic chemicals in our environment, is begging the question completely. If that were the issue, I can only assure you that if we were not concerned

about it, we are spending large amounts of money needlessly in this ministry.

We are concerned about polychlorinated biphenyls and we are concerned about the other toxic chemicals, some of which have been talked about here this evening. We intend to establish what we feel are safe levels at considerable cost, recognizing that in some kind of a Utopian society perhaps we could reach zero levels in some of these substances.

I do not happen to think that is going to be practical in our lifetime, but I do think we can at least approach safe levels, particularly when one starts thinking of the kinds of advances we have made in being able to sample and monitor these types of substances in our environment. For example, we are at the leading edge in the whole dioxin question in that we are now able to sample, as you know, in parts per quadrillion. There is no jurisdiction anywhere in the world that can sample at more finite limits than we are able to reach here. We do that because we are struggling to come to grips with safe levels.

I do not want to speak on his behalf, but I know that this position is shared by my staff, and certainly by my deputy, who has a degree in pharmacology and in toxicology; in fact, his doctorate, I believe, is in that particular area. My ministry is very concerned about safe levels of toxicity in our environment and we intend to do what we can to achieve them.

On the basis of the remarks you made, subject to whatever might come out of the transcript, I add one caveat only. If it is as you described, I want to dissociate myself from Dr. Harding's remarks.

In the rather laissez-faire way in which I usually allow the staff to approach these things, if there is anyone on my staff, from the deputy on down, who wants to disagree—not at the risk of losing his job, but at the risk of getting into the debate—I would like him to speak on that particular issue. I assure you that we take the issue very seriously and we feel very strongly about it. However, we do not meet with all other ministries in a room once a week to put forward a co-ordinated, uniform position. I can only apologize for what happened in the particular instance you are talking about—again, if it is as you described it, and I have no reason to believe you are manufacturing this issue in some way. So I hope I have covered it.

Mr. Charlton: I think you have. I do not doubt that the total extent of the opinion that was expressed by Dr. Harding was not the policy of this ministry.

Three things concerned me. First, it happened in a presentation that was supposed to be reassuring a community.

Second, we may disagree from time to time about any particular substance as to what is or is not a safe level. That is fair game and we can fight about those things. However, when that kind of thing happens it raises a serious question about the serious intent of the ministry, even though the intent may be perfectly honest, in the minds of all the people who are looking for reassurance. It raises the question of whether the ministry is saying, "We do not need to clean up Pottersburg Creek and the river because Dr. Harding is taking that kind of position."

In other words, for the average person, to whom the minister is presenting this, he is talking about certain levels of PCBs in the fish, in the sediments, in the water, etc., and essentially he is taking the position: "Yes, we are cleaning up the Westinghouse site. No, we do not feel we need to clean up Pottersburg Creek because the levels are not high enough." The question pops into people's minds: "Are they making that conclusion based on the approach Harding is taking that there is no danger at all from toxic chemicals in this society?"

Third, if it continues, it will substantially reduce the ministry's ability to have anybody listen to it seriously.

Those are my three major areas of concern in terms of what happened. I fully understand the minister's response, but unfortunately I do not have the transcript yet. Yesterday, I talked to a couple of people who were involved in the meeting. We will be receiving a transcript, but I have not received it yet. When the transcript is available, I would like the minister to look through it and I would like to discuss it with him, not only in relation to this specific meeting but also in relation to a couple of other issues.

We will also be raising it with the Minister of Labour, because it raises a number of very serious concerns for us about the occupational health and safety branch and what influence these opinions may or may not have in that respect.

I respect the position which the minister has had to take tonight because we do not have the transcript here. However, it is a serious problem. If the minister looks back through Hansard for the last few sets of estimates, he will see that I have raised the issue of the ministry's public image and its ability to deal with communities in a way that is acceptable and believable to the communities. This kind of performance is not

going to help in that respect; it is going to hinder it seriously.

Hon. Mr. Brandt: In addition to the comments I have made, I am going to ask my deputy minister, Dr. Dyer, to communicate with Mr. Armstrong, the Deputy Minister of Labour, in connection with this matter, because the member indicated it was occupational health and safety that was speaking through Dr. Harding. I would like to clarify the position he took as it relates to the work we do in this ministry. However, if Dr. Dyer does not mind, I would also like him to make a couple of comments on this issue before we move on to something else.

8:50 p.m.

Dr. Dyer: I reviewed the transcript of the meeting. I concur with some of the comments that have been made. The presentation by Dr. Harding did not help our case in many areas. I am not acting in his defence, but I think he was attempting to allay some of the concerns with reference to the levels. However, perhaps it did confuse the audience in that regard. I do not think it helped from the point of view of what the audience was asking for. It certainly went on too long to satisfy an anxious and concerned audience.

I went over the transcript because of the concerns that were referred to me by the staff. Therefore, it is not something we are unaware of and it is not something we are not concerned about. I will be taking it up with the Deputy Minister of Labour, Mr. Armstrong.

We must remember that the Ministry of the Environment is not the health expert and it does not purport to be. That is not our role and it is not our mandate. We were attempting to bring to that meeting a representative from the government who could perhaps answer and deal with medical questions. I do not intend to do that. It is not my role either.

In this case it was an attempt to assist, in a sense, the medical officer of health, who really should be dealing with that subject in terms of the concerns of the public. Of course, in spite of the comments made by Dr. Harding, we fully supported the MOH's position in placarding the creek, warning the public not to use the creek.

Mr. Charlton: My point simply was that it damaged the ministry's relationship with that community for the future. The ministry's position in the first part of the presentation was very clear, but what Dr. Harding's presentation did was to call into question the sincerity of the ministry's position.

The ministry negotiated a cleanup with Westinghouse. The Westinghouse officials set out for us, along with their consultant, what the cleanup was specifically going to be. Then Dr. Harding came on and said we did not need to do it. It left a very bad impression with the public at the meeting.

Dr. Dyer: I think it did confuse the public at that meeting, and it was not intended to do that.

Mr. Charlton: That is all we can really discuss on that issue tonight. Perhaps we can discuss it further at some point.

Hon. Mr. Brandt: Could we proceed now? I do not know what members want to cover, and perhaps there may be other questions regarding toxic chemicals, but could we get into the waste management area specifically? That is a rather large area and one of considerable concern in terms of our ongoing work in the ministry. Perhaps Mr. Gotts could make some comments in that respect.

Mr. Gotts: Mr. Chairman, I would like to refer to question 10—maybe they were not numbered—a question raised earlier with regard to waste management. The question essentially was on what details can be given on not just the number of tonnes being diverted from municipal landfills but also the average reduction of waste volumes in municipalities.

Before I deal with that question, I must say hello to my acquaintance from some time back, the member for Lake Nipigon (Mr. Stokes). I was stationed in Thunder Bay for some time, and we used to fly back and forth on regular occasions. Next to his riding, mine was almost as big. We have most of the waste problems solved up there, I think.

In any event, to get on with the issue, we have a number of programs that are aimed at diverting waste from landfills, and I think that is where the question was pointed: What are we achieving with these programs? I will give some total numbers and try to relate those to what is happening.

First of all, to be specific, we are diverting about 207,000 tonnes of waste from landfill annually with respect to programs that we have under way right now. Without making any apology, I ask members to recognize that some of these programs are in their infancy. Source separation, for example, started in 1981. Some of them have not gone much beyond the demonstration phase and yet in my mind we are recognizing some significant achievements.

These numbers also do not take into account many things we already take for granted that have

happened to wastes that would have gone to landfill over the years but no longer do. These numbers do not take credit for that because it is not a recent event.

For instance, we have heard of the glass gobbler that takes glass from hotels, etc., in Metropolitan Toronto. Even in a meeting this afternoon I heard tonnage figures of recycled glass from that. If we think back to a few years ago, that was essentially going to landfill.

If we want to go further back, we can look at what the steel industry has done. In spite of the fact that industry is sometimes criticized for not recycling certain things, it has been recycling derelict automobiles, engine blocks and so on for many years. We are not talking about those types of these things in these numbers tonight. I just remind members that there are many other things that would be going to landfill had somebody not done something about them some years ago.

The 207,000 tonnes I mentioned represents about three per cent of Ontario's total solid waste stream. We may say that is not very much, but again, if we recognize that many of these programs are in their infancy, three per cent in my mind is not immaterial by any means.

Where are the main areas this is happening? One of the programs that is rather close to my heart is source separation. As of last year—I do not like all these significant figures, but my staff tell me this—we are diverting 36,670 tonnes to a 2,200-pound tonne from landfill, which is 2.4 per cent of the total waste stream. For a program that started in 1981 and has about 10 municipalities supporting it, that sounds pretty good.

Mr. Haggerty: Is the Liquor Control Board of Ontario supporting this program?

Mr. Gotts: I am sure they are not opposed to the program, but we have not used them materially in the program.

Mr. Haggerty: They are one of the biggest offenders, though, are they not, when it comes to glass pollution?

Hon. Mr. Brandt: No, we are talking about refillable bottles. Is the member talking about liquor bottles or wine bottles?

Mr. Haggerty: Wine bottles, yes.

Mr. Charlton: May I jump in here? Mr. Gotts said roughly 10 municipalities and 36,000 tonnes. What was the percentage?

Mr. Gotts: It was 2.4 per cent. Let me respond to the question another way. Where source separation is in place, liquor bottles would be quite acceptable in the source-separated materials. Any glass bottle, be it ketchup, tomato

juice or liquor—I am not too acquainted with that—would be an eligible candidate for recycling in those programs. When we talk about the 2.4 per cent, I would suspect there would be liquor bottles and so on, but we do not differentiate between the sources.

Mr. Charlton: May I ask a couple of other questions on the 10 municipalities? What is the extent of the programs in the municipalities? Do they include municipalities that have just got a few collection bins for glass?

Mr. Gotts: There are many more source separation programs in Ontario than just the ones we support. I am talking about the roughly 10 we support financially through our source separation program. They range from the beginning end of the scale of third sector type of operations, where you have a dropoff centre and you arrange to deliver your separable and recycleable material there on Saturday morning in the family car when you are on the way to do your grocery shopping, through to the other end of the scale, the type of operation we are supporting in Kitchener, where we have a complete community curbside collection system. We see room for that range of programs.

We are working towards more source separation, curbside collection, community-wide programs, because we understand that if the community is to participate, the more convenient the program is to them the more likely they are to participate.

9 p.m.

Mr. Charlton: Do you have some specific figures on the Kitchener one? Most of us are interested in that one in terms of what kind of tonnage you are gathering there and what percentage of the total waste stream in Kitchener that would be.

Mr. Gotts: In Kitchener we have a population served of 141,000; I am rounding off here. We have 7,088 recycled tonnes per year. By the way, this is one of the programs that is in its infancy; we are just starting our second year. Out of a total waste stream that we estimate at 37,000 tonnes, we are estimating that recycling, and you can do the arithmetic perhaps better than I can, is around 18 per cent.

We talk of 15 to 20 per cent of the municipal refuse stream being recyclable in terms of a source separation program. You can see that in a program that is just starting we have achieved some landmark recovery rates. This program has been presented at a number of recycling conferences and so on and has become almost the

epitome of a major recycling program in North America.

Mr. Charlton: What does ministry support in a program such as the Kitchener one entail? What is it made up of? What could we be doing in our municipalities potentially to try to sell them?

Mr. Gotts: Our program is based on under-writing operating deficits for up to three years. That is the existing program, the one that was launched in 1981. If somebody is interested in starting a source separation recycling program, we say to them that we are happy to help. We cannot assist them in capital; fortunately, it is usually a low capital-intensive industry. We recognize that there are going to be some deficits in the early years, and we are prepared to assist them for up to three years after which, someone back in 1981 in their wisdom said, by then they would be self-sustaining. That is the program as it exists today.

It is also fair to say that as a result of the blueprint exercise, which I think everybody here is familiar with, we are re-examining that program to determine whether it needs to be modified in terms of the period covered or whether we should be assisting in capital costs or what. So far it has been a fairly attractive assistance program to those interested in recycling.

Hon. Mr. Brandt: Perhaps by way of extension, our total program at the moment within the ministry is costing in round figures about \$1 million a year, specifically attributable to this particular effort. It is our intention, as Mr. Gotts pointed out, to get the program started and over a three-year period to make it self-sufficient, or to bring the program to the point where the municipality can carry it on its own and we can back out, and then move our funds to some other area of the province.

Part of the difficulty in doing this is that the level of volatility for the value of these products is so vast in the sense that it moves so quickly when one talks about glass or metal products or paper products and so forth that these fluctuations cause great apprehension in anyone who wants to get involved in any kind of recycling program.

It is my personal hope, and I think that of the waste management branch, that by encouraging this kind of thing, from the standpoint at the moment of propping it up financially with grants and subsidies until it gets operating, we will be able to stabilize the private sector of the industry to a certain extent. The hit-and-miss kind of approach that has been used by municipalities in

the past, where someone may attempt in his own fashion to get this kind of program going without any assistance or with very limited municipal assistance, has proven to be less than successful over the past number of years.

I might add that, in concert with the Ministry of Northern Affairs, we are coming in now with a program that involves an attempt to bring a recycling effort into remote northern communities. I say this in part because the member for Lake Nipigon is here and I think he would be interested in this question. We recognize that in more densely populated sectors of southern Ontario the numbers may eventually work for the Kitcheners, the Londons or the Hamiltons of this world, but when we start talking about Red Lake or Kenora or the far northern municipalities, where we have very small populations but very significant and serious litter and recycling problems, it is a whole different concept from the one we are dealing with.

I want to give the assurance that there is already a program in place on an experimental basis to study the two communities in the north, Kenora and Red Lake specifically, and to attempt to get recycling working there as well. It is costly, but we are trying to make it self-sufficient. It will take us some time to do that because no one anywhere, frankly, has been able to do it yet. We are also trying to do it in various types of municipalities throughout Ontario.

Mr. Chairman: Did the member for Haldimand-Norfolk (Mr. G. I. Miller) have a supplementary on this item?

Mr. G. I. Miller: Yes, I did, as a matter of fact. The minister is well aware that the region of Haldimand-Norfolk is going through a study at the present time because its landfill sites are filled. Is there any program money available to provide the containers? I believe one needs containers for source separation. Is the ministry doing anything to promote that?

Second, with the unemployment that we are trying to deal with—and the Treasurer (Mr. Grossman) mentioned that tonight—is this not an area that could provide employment opportunities to municipalities to provide the kinds of jobs that are needed, the low-tech jobs for sorting and maintenance? Are you giving that any consideration, to encourage regions such as Haldimand-Norfolk to go into source separation so we do not need to have these huge landfill sites and we can recycle the materials to the advantage of everyone?

Hon. Mr. Brandt: I agree with the honourable member on almost all counts. Yes, the

moneys will be moved around. Kitchener and the other communities that are involved in the program at the moment do not have a lock on those moneys ad infinitum. Those moneys will be moved to other communities.

We have approximately \$1 million in the pool that is being applied against this. As the three years is up and some of those communities come out of their programs and are somewhat more self-sufficient, that money will be available to move to Haldimand-Norfolk or any other community.

Mr. G. I. Miller: In 1985?

Hon. Mr. Brandt: I will accept an application from any community that shows an interest in a recycling program. Then it will be dependent and prioritized on the basis of our budgetary allocations and what we can do. I certainly would not shut the door on Haldimand-Norfolk.

In addition to that, let me say I cannot agree more with the member on the question of providing jobs through this kind of an environmental control program for those people who do not have advanced education or who are not in a position to take more technical jobs. There are a number of jobs that could be provided in our society, in my view, that are permanent, meaningful, full-time, long-term jobs and of great benefit to our society.

Mr. Elston: That is a comment from a future Premier if I ever heard one.

Hon. Mr. Brandt: I will repeat that, if the member liked it that much. I did not realize it rang with such great strength at that point.

I think we are on to the very point we have been looking at very seriously within the ministry. I can assure the committee that my deputy and I have been not only talking about it but we are also moving towards expanding on the concept of the program to involve more employment to do the very things the member is talking about.

Mr. G. I. Miller: Second, we have probably the largest stockpile of tires—something like 12 million—in one location. I think the minister is well aware of that, too.

Mr. Charlton: Do you have 12 million tires?

Mr. G. I. Miller: We have people who are interested in utilizing those, recycling them.

Mr. Stokes: They are all flat.

Mr. G. I. Miller: They could be. Anyway, those people were trying to lease a shredder from the ministry, which is located at Beachville in the Woodstock area. They have the contracts lined up. Does the minister have any up-to-date

information on whether that has been utilized and put into practice?

Hon. Mr. Brandt: Mr. Gotts is the expert on shredders.

9:10 p.m.

Mr. Gotts: I received today a letter asking me about the availability of the shredders in the Woodstock area and I must confess I did not know we had shredders in the Woodstock area. I passed it on to my staff and asked them to investigate. It ties in with the meeting I had about a week ago, where a company is working to set up a Brantford operation to recover and recycle tires. They are looking at two concepts. They are not asking for any government subsidies.

Mr. Haggerty: Now that is a free enterprise.

Mr. Gotts: That is nice, indeed. It is strictly a private sector undertaking and they are merely keeping us informed. They are very interested in tires. I learned a lot from the meeting in terms of the potential for recycling tires, from the recapping of them, as long as the casing is good, to the manufacture of rubber crumb from used tires, which I understand has a very high value on the recycling market. In addition, anything not recapped or turned into rubber crumb may also be able to be incinerated in terms of energy recovery.

I think the inquiry I received today on the shredders is associated with that firm's operations. I can merely report that we have a private sector undertaking well under way, and it is not looking for any handouts. It is very much interested in the tire recycling operation. One wonders why the private sector did not get into it earlier. In other words, they see it from a very optimistic viewpoint.

Mr. G. I. Miller: I think we may be talking about the same company, but the point is that the shredder is sitting there and has been sitting there for several years. They are not asking for handouts. They are asking to lease that shredder and to make sure it is viable. It makes sense to me that a piece of material sitting rusting is better being utilized for the purpose it was designed for, and I hope that can come about.

Mr. Gotts: I could not agree more with the member. Other than having just had the inquiry this morning, we are certainly looking at it.

Mr. G. I. Miller: You mean you just got it this morning?

Mr. Gotts: The inquiry on the shredders. I was familiar with the—

Mr. G. I. Miller: I think I spoke to your office, or somebody in your office—I have the

details—two or three weeks ago. However, as long as it is moving along.

Mr. Charlton: Just while we are on the recycling of tires—

Mr. Chairman: Excuse me. Mr. Haggerty also had a supplementary.

Mr. Haggerty: Definitely. I think when I first came in I had my name put down. I thought you had forgotten me, Mr. Chairman.

Mr. Chairman: I did not forget you. As long as it is on hazardous waste.

Mr. Haggerty: It is on recycling. I was interested in listening to the debate on that tonight, because the communities I represent in Erie riding, particularly Fort Erie and Port Colborne, have an active group that has been recycling papers and tin cans for a number of years; particularly the local association for the mentally retarded. It is not something new. Out of that, they create employment for persons who are considered partially disabled. They do an excellent job down there.

My colleague the member for Haldimand-Norfolk mentioned that with the amount of money he has to spend the minister might fund some of these pickup areas and so on with the proper containers for disposing of paper and tin or aluminum pop cans, beer cans and so on, as well as glass. A number of malls within the Niagara region have large vans or tractor-trailer vans where one can dispose of glass.

That has been going on in the area for a number of years, and perhaps a little more encouragement from the ministry would provide associations for the mentally retarded throughout the province with some initiative and hope that there are going to be permanent jobs created by it. One way would be to provide these containers, which could be placed in certain areas of certain communities and picked up once every two or three weeks and taken to a processing plant for recycling.

Also, as I have said on a number of occasions in the House as well as in committees of this type dealing with the Ministry of the Environment, I find that one of the biggest offenders in terms of pollution is the Liquor Control Board of Ontario. I am sure the minister walks the same street I do, going back to the same apartment building night after night, and we see the garbage pickup on the streets. Practically every garbage can or bag has an empty bottle in it and the LCBO is perhaps one of the biggest offenders. There is a cost to the municipality in disposing of this material and that is getting very costly now.

I have had a letter from the minister on a suggestion of mine to use part of the facilities of Inco in Port Colborne as a waste management site, to burn industrial waste and everything else that is being produced in the Niagara region. I suggest there are areas where we can create jobs and that can be profitable. I know that is a good source of income to the retarded association, and some encouragement in this area could provide containers for it.

Perhaps in smaller communities in northern Ontario this is one direction in which we should be looking. It works very well down in the peninsula and it is a source of income to maintain the programs the mentally retarded association provides for its recipients. It is a good program, and I suggest that may be where we should spend some money to give additional encouragement in this area.

Hon. Mr. Brandt: I concur with those comments. They are very much in line with what we are already doing, not in the area mentioned but certainly in Kitchener, where some of the retarded associations are involved in the recycling program.

I would caution, however, that the capital cost of putting the containers in is only the front end of the whole question. After we have separated the waste we are attempting to get rid of from the mainstream of landfill sites, we need somewhere to dispose of it. We need a system for it after it has been separated, to warehouse it for a period of time until it is removed to a recycling operation.

Short of that, we will go through the separation effort and end up, as we know some of the waste does at the moment, with the waste being separated and then ultimately ending up back in the main waste stream into a landfill site. That achieves absolutely nothing. I am trying to say we must have a more comprehensive program.

In the north, as I envisage it at the moment, there would be some form of bins or some form of reasonably aesthetically attractive areas where the waste could be put. Remember this is not waste that is going to leach out or that is going to cause environmental problems. We are talking about a solid type of waste, glass and bottles and cans, and a number of other materials. It is not waste we have to be worried about from an environmental standpoint, although it is quite unsightly from a litter standpoint. You would not be able, for example in the smaller communities, to pick up that waste on a daily, or a weekly, or perhaps even on a monthly basis, because the

economics of collection simply do not work when you get into a numbers crunching exercise.

So we need to have—and I suggest this as only one of the problems we are trying to come to grips with—a somewhat more comprehensive approach that includes the container. Once having removed the container to a separation site, the comprehensive program unfolds from that point on. I have to believe we are at the leading edge of breaking through on some of these points.

I am quite committed to achieving very significant breakthroughs in this area. I think we can do it. It is not beyond our reach technologically. I might give one little hint with respect to the whole question of bottles and cans. The policy that was addressed in a question by the member for Hamilton Mountain earlier is part and parcel of how we are going to attempt to come to grips with this question, because bottles and cans, quite obviously, in the policy as it relates to the soft drink industry, can be one of the driving forces that can include the kind of comprehensive application of the program the member is suggesting is necessary.

9:20 p.m.

Mr. Haggerty: I suggest the minister should send one of his staff members down to Fort Erie. For example, on Monday of this week early in the morning, I put out the normal garbage and I put out a stack of papers about four feet high. I get about six newspapers delivered to my place every day. I also put out pop cans, some of which are aluminum cans.

The people down there have been educated through the association for the mentally retarded to separate their waste. What happens is the garbage is picked up and then the AMR people come behind with a van and pick up the newspapers, etc. They have special days throughout the week when they pick up in certain areas, and it has worked very successfully.

I notice that the trailers are sponsored by some club or trucking industry that has a spare trailer around. It says it is on loan or something. It could be one of the trucking industries in the area.

There are ways it could be done without much of a cost. There is the suggestion that my colleague the member for Haldimand-Norfolk has mentioned about the types of pickup containers that are required. Maybe the ministry could lease them. There are companies that lease them and it could be done that way without purchasing them.

Mr. Charlton: Perhaps I can go back to the tire thing for a moment. Was the Ministry of

Transportation and Communications not doing some experimenting with using recycled, presumably ground-up tires in asphalt? Do you know anything about that and where it is at?

Mr. Gotts: I am aware that has been done, but I am not aware of actual MTC experiments, perhaps because of my having recently joined the branch. Rubber crumb from scrapped tires has been looked at in terms of incorporating it in an asphalt base for road construction. Obviously, one might be inclined to believe that would potentially be a big market. I do not understand at this point and I cannot explain why it has not happened. There may be technical reasons for it not happening.

As I mentioned earlier, my understanding from the meeting I had only a couple of days ago with the private sector group looking at tire recycling, is that if the proposals take off, incorporation into asphalt probably could not compete economically. In other words, rubber crumb comes with such a price on it that if one were getting the tires, one would turn them into rubber crumb instead of asphalt.

Mr. Charlton: I raised the question because it seemed such an ironically appropriate use for used tires, to use them in the roads that wear them out.

Mr. Gotts: There are many problems with recycling tires that did not exist even a few years ago. For instance, we talk about shredding tires and grinding tires. The advent of the steel belted tire makes much of the previous technology unacceptable today.

We are into what I understand is called cryogenic grinding, where we have to freeze it to about 80 degrees below zero centigrade, which is not hard to do in Thunder Bay but is a little more difficult here. That is the type of technology that has to be looked at to produce rubber crumb for the market, because so many of the tires today are steel belted. Events have overtaken some of the earlier technology.

Mr. Havrot: Mr. Chairman, briefly on the recycling, has the ministry considered the recycling of liquor bottles, which was mentioned earlier? We go through pop bottles and beer bottles that are recycled. They are returned for a refund and brought back to Brewers' Warehousing, for example. Having been in the hotel business briefly, I was appalled at the tremendous waste of cases and cases of liquor bottles that we had to throw out because there was no value to the bottles.

We can adapt ourselves to the recycling of beer bottles and pop bottles, but we have never

reached the stage of attempting to recycle whisky bottles. I think that plays a prominent role in the cost of the bottle of whisky we buy, other than the taxes Ontario imposes.

Mr. Lane: And the federal government.

Mr. Havrot: Right. What better bottle could one recycle than a whisky bottle that has an alcohol content that kills all the germs in the bottle? It is in the perfect condition to be recycled without any effort at all. Just taking the number of establishments in northern Ontario, as the minister mentioned earlier concerning northern Ontario and recycling, we have something like 16 hotels in the community I live in. I am sure there are cases and cases of empty liquor bottles that are being thrown out every day that could be recycled. These are pretty well standard Canadian brands. I realize that some of the imported brands may be a problem, but with the products that are manufactured in Canada, these bottles could be recycled by giving a small refund, say, at the liquor store.

The trucks deliver the liquor and they go back empty most of the time. I am sure there could be a central warehousing, similar to the Brewers' Retail store, which takes empties and hauls them back to the plant in southern Ontario where the beer is bottled.

Mr. Elston: In fairness to the minister, though, he has been dealing with soft drinks for well over a year and a half now. Perhaps it is a little early to deal with the containers for hard drinks.

Mr. Havrot: I thought we would just get the jump on it.

Hon. Mr. Brandt: I am sure that was a vote of confidence.

Mr. G. I. Miller: The wheels turn slowly.

Mr. Havrot: I am sure the ministry has given it some thought, but I just want to know how far it has gone with this aspect of recycling whisky bottles.

Hon. Mr. Brandt: I can tell you that the thrust of the program I identified earlier with respect to the north is almost entirely directed at the very sort of thing you are mentioning as a problem there. In some communities in the north it is not whisky bottles but wine bottles that are the big problem. Particularly after the spring thaw comes, there are certain sections of communities that have an amazing propensity for wine bottles to grow up out of the forest floor.

I can only tell you that we are working on the problem. It is not an easy one, but we are trying to find a way for a more appropriate collection.

Let me tell you what has happened in one community. In Kenora, I believe it was, they had a weekend blitz of school children who went around and picked up these bottles that were not collected. I am not talking about hotel bottles; I am talking about bottles the public had simply discarded generally in the area around the community. In one weekend—my numbers may be slightly off—they collected something like 60,000 bottles. Those bottles were not recycled but were collected simply to dispose of in a more appropriate fashion.

There are lots of opportunities out there for recycling and to reduce or at least minimize the litter problem, but we have to find the connections to do it in an appropriate fashion. I think we are coming to grips with it, but it is going to take a lot of public education and a lot of money.

Mr. Havrot: Perhaps as a suggestion you might consider a pilot project. I would be glad to undertake that project in my riding if you provide the funding.

Mr. G. I. Miller: I do not know if you remember this. You were not the minister then; it was a while ago. I think the minister was Harry Parrott.

Hon. Mr. Brandt: Oh, that is a long time ago.

Mr. G. I. Miller: Yes. We brought in a private member's bill, and he promised he would bring in—and it has come about—Pitch-In Day in all of Ontario. I think the hunters and anglers have supported it, but it should be expanded to take in the Ministry of Education. There is a week set aside for Arbour Day, but we could call this Pitch-In day. I do not really want to take all the credit for it.

Hon. Mr. Brandt: Go ahead.

Mr. G. I. Miller: I would be pleased if you would promote it. You can take the credit as long as we get the job done. But in the week that is set aside, if the Ministry of Transportation and Communications, the Ministry of Education, the Ministry of Natural Resources and the Ministry of the Environment had a co-ordinated program, it would be useful in a particular week of the year to clean up.

Hon. Mr. Brandt: We continue to sponsor the Pitch-In program. As a matter of fact, this year at the hunters and anglers annual conference in Windsor I announced one more time—and I believe the amount was \$70,000 this year—that we provided a grant for them to help supply them with the collection things they required in order to make the program successful. So we are still

working on it, but I agree with you that it can be expanded.

9:30 p.m.

The difficulty, as I started to say when we got into this whole subject, is that whatever this ministry does in the area of recycling is not done cost-free to the taxpayers of Ontario. In every instance we have had to go in and subsidize or in some way supplement the funding to make it work. We are struggling to find a way to get the economics to balance off. I am sure you would agree that is the ultimate goal of this whole exercise. We are trying to do that. We are looking at all the materials.

In most instances you cannot just do it—I say this to Mr. Havrot—in an economically feasible way if you pick up only one particular type of material, whether it is glass, paper, metal, whether it be steel, aluminum or plastic. You have to have a more comprehensive program that picks up all of these materials and recycles them all in a much more sophisticated way than we are doing at the moment in most communities.

Mr. Havrot: Plus the fact that you would have to get the co-operation of the liquor industry of the province too as to whether they would accept them back.

Mr. Haggerty: We will see if we can get you appointed to the board.

Mr. Havrot: I am sure you would support me to the fullest.

Mr. Haggerty: Sure.

Mr. Gotts: Following up on your point, one area that has been encouraging to us in the branch recently is the voluntary—in the case of three municipalities—diversion of what we refer to as tipping fee credits to source separation undertakings. Certainly, if members want to help us promote source separation and recycling, they might suggest that to the municipalities they are acquainted with.

Simply said, it means that if it costs a municipality \$10 a ton to dispose of wastes and if someone who is not with the municipality is willing to collect it for recycling purposes, probably everybody gains if some portion of that \$10 saved per ton is provided to the recycler. In other words, the municipality gains in terms of the \$10 a ton fee that it would have cost to dispose of that material, the people operating the recycling operation, which unfortunately still today tends to be a marginal operation financially, benefit in terms of the economic equation in recycling and materials are recovered, energy is conserved and so on.

In three of the 10 projects we support, we have had voluntarily the municipality diverting some portion of its savings on tipping fee to the people responsible for the collection for source separation. That may be something we can all work towards in terms of promoting recycling and making the economic equation look even better.

Mr. Chairman: Mr. Charlton, did you have any more questions? Are your questions answered on the hazardous waste situation? If that is the case, I think we can perhaps move to whatever is next.

Hon. Mr. Brandt: I have a question from Mr. Charlton, question 13 on my list. I think we have answered this already but that was with respect to dioxin and furan standards setting. If we have covered that to your satisfaction, then we can perhaps move on—

Mr. Charlton: I assume you have the committee's response?

Hon. Mr. Brandt: Yes.

Mr. Charlton: We can go through that. I do not think there is much point in us pursuing it at this stage.

Hon. Mr. Brandt: What we did do—and I hope to your satisfaction—is give you an overview of what the standard-setting exercise is all about, the appointees to that particular committee, the level of expertise that we have engaged with the hope of establishing standards that will be acceptable, not only in Ontario but also to establish the lead for other jurisdictions as well.

At this point, again in connection with this issue because it is relatively new, do you want to get into the waybill system at all or are you satisfied with that in terms of what we are doing? If you have any questions, we would be happy to address those. It is part of waste management obviously, but we have not got into it yet.

Mr. Chairman: I wonder if it would not be more appropriate to wait until we got into our specific votes. Perhaps we are straying more than slightly from responses to the critics concerns.

Mr. Elston: I think it is of interest to develop a wide latitude. We never go through all the questions we want covered anyway. I think it is appropriate, particularly if they have people available now to answer those, that we deal with them, particularly if they have other commitments in other places on other days.

Mr. Chairman: Fine.

Hon. Mr. Brandt: We had a question raised by Mr. Charlton with respect to termite control. The question specifically was related to the dollar

commitment and whether we are running parallel with the problem or getting ahead of it and what successes we have achieved to date. I can give you a general overview of that question.

Last year we had a relatively successful year in terms of termite control in that we had established a budget for the past two or three years at a level of \$500,000 a year. When we got towards the end of our fiscal year, we found we did have some additional funds available. We made an additional sum of \$500,000 available directly to the municipalities that have a termite problem and, frankly, municipalities that had a backlog of applications from residents of their communities who wanted the application of the program and termite eradication to take place. We made the extra \$500,000 available for a total of \$1 million in last year's budget.

That budget started off at \$250,000 some years ago. It went to \$500,000 and it is subsequently at \$1 million. This year it will probably be back again to \$500,000. That will be dependent upon what kind of reserve we might be able to establish at the end of the year. We are on top of the program in the sense that the best information I received from the staff last year was that virtually all applications from individuals within municipalities that have a termite problem had been met.

We recognize this is not general across the province. It is very centralized in the Toronto area and located in about 20 communities across Ontario, but it is located in some very unusual places. I recall it is in Leamington and rather isolated in that community. It is in Guelph and in certain sections in Toronto, primarily the older sections, but not located generally all over. We have essentially been targeting the funds we have available for termite control to communities that obviously have the problem.

I am thankful my community does not have a problem. I was criticized in my local newspaper for not making some of the termite money available to my community. I remember writing a letter back to the editor saying, "The reason Sarnia did not get any money, sir, is that we do not have a termite problem and, therefore, there was no point in putting any money into my own riding."

I know the opposition members feel from time to time we are in a position to direct moneys to certain ridings. Certainly, in this case, if the minister's own riding had a problem, I would be looking to get at least a portion of that money to help with my problem. The reality was that the

money did not go to my community or any other community that does not suffer from termites.

Mr. Elston: Your budget has been eaten up by termites from other ridings.

Hon. Mr. Brandt: Right. That is exactly what has been happening. It has been removed as a result of that problem.

Mr. Harris: The chairman wants to direct some of the termites to your riding.

Hon. Mr. Brandt: Thank you, but termites are not acceptable to my riding, sir.

There are a number of theories on why the termites show up in the way they do. We feel the infestation in all probability is an importation from the southern part of the United States. Loads of lumber come in. Once having established themselves, termites colonize very quickly and we end up with a problem that is tremendous difficult to eradicate.

Mr. Elston: Like Tories in Ontario.

Hon. Mr. Brandt: I will not respond to that comment, Mr. Chairman.

Mr. Chairman: No, you do not have to answer that.

Hon. Mr. Brandt: I would find myself in an extremely partisan position, which is not the flavour or tone of this meeting.

I will ask Mr. Piché to comment further on termites in Ontario and what we are doing about them.

9:40 p.m.

Mr. Piché: Mr. Chairman, fortuitously, the termites cannot overwinter in northern Ontario, so northern Ontarians do not have the problem. Specifically with respect to your question, Mr. Charlton, in communities such as Guelph and Fergus, the smaller communities with infestation, we feel we have the problem under control; no question about it. In cities or larger municipalities that have extensive infestation, such as Toronto, East York and Leamington, we believe our contemporary strategy is allowing us to run parallel with the problem.

Mr. Charlton: We are not reducing it in the major areas such as Toronto.

Mr. Piché: I suggest that the scope of the problem is not increasing.

Mr. Charlton: Would it be—

Mr. Piché: Excuse me. As I said earlier, we are parallel with it. I interpret that to mean we have it under control.

Mr. Charlton: However, in terms of eradicating it, what kind of dollars would we be looking

at in a one- or two-shot deal for a couple of years to get ahead of it in areas such as Toronto?

Mr. Piché: I suggest that may not be the legitimate question. A more appropriate question would be, if you had an unlimited amount of funds, is there an industry based in Ontario that could handle those funds to eradicate the problem? The answer is that the industry is not there. It is not simply a question of whether you have \$1 million or \$100 million. There is not an industry at the moment that could handle the funds that would completely eradicate it.

Mr. Charlton: What are the technical problems in expanding that industry if the money and, therefore, the work was available?

Hon. Mr. Brandt: The basic problem is training the applicators. It is not an insurmountable problem. At the moment, with the level of funding we are putting out to the municipalities by way of direct grants—and they sign agreements with the ministry to receive those moneys—it is a bit of a problem for the industry to respond as quickly as we would like to the demand we put on them for purposes of getting trained applicators to carry out the program.

I was listening carefully to see what your answer might be about expanding it at a considerable level if there were unlimited amounts of money. A very substantial amount of money would be required to eradicate the problem. You would also require the co-operation of the municipalities.

I do not mind talking about it. I have had some difficulties with municipalities that will not agree to a block plan format for eradication of termites. The problem is they are getting applications. Obviously, there are a number of houses in a particular block. Recognizing that termites do not honour property lines, if you apply the extermination process only to one or two houses within a block, over a period of time you are going to get a reinfestation of that very block unless you are very lucky.

According to the information I have received from my staff, the only way to do it is to do it on a total block basis; in other words, go in and treat completely the 20 homes or whatever in a square block. The difficulty is that it is the home owner's decision to apply for the grant because he or she has to pay part of the money to carry out the program.

To get a uniform program that would be totally effective is extremely difficult. I have spoken about it to some of our colleagues who have termite problems in their ridings. I have spoken to municipal officials. At the moment, we have a

bit of a hit-and-miss program, and I admit that up front. The money we are making available could be more effectively spent if we could make a bureaucratic decision and not give the home owner the opportunity to make the decision on an individual basis.

However, that is not the case at the moment. We are going to have to change the program to bring about the kind of treatment that would be much more effective. There really is no answer to your question. We are trying to keep up with it. I can only tell you that last year we did keep up with the applications. Is it fair to say that?

Mr. Piché: Yes, it is.

Hon. Mr. Brandt: I think we cleaned off the books the number of applications that came in from people who wanted to have their homes treated. However, I am sorry to say we are not getting ahead of the program. I might add we have had some success in the city of Guelph. We have just about eradicated the termite problem in that community.

However, where we run into difficulty is in a much larger community such as Toronto where we get infestation in a neighbourhood and it runs very rapidly. It usually starts at a central point and expands from there. We have to treat the entire pocket or island of infestation to get rid of it completely. We do not have a program to do that yet. We are doing pieces of it.

Mr. Charlton: I appreciate your comments. I suppose my concern is that none of us is ever going to object to spending money in your budget as long as the problem is out there. However, if we could find a way to get the jump on it by a couple of major injections of capital for two years, five years or whatever it would take virtually to eradicate it so we can eventually eliminate it as an item in the budget, that is obviously the goal we should be headed for and we should be looking at ways of accomplishing it.

Hon. Mr. Brandt: Interestingly enough, we are the only jurisdiction in Canada that has any kind of termite control program. There is one other jurisdiction, a state in the United States, that has a termite control program. But even where they have heavy infestations, in the southern regions of the United States, it is left as an individual problem wherein the home owner, if he needs some form of treatment, pays all the funds that are required; the government is not involved at all.

As limited as our program is—and I admit to you quite openly that our program is not as comprehensive as it might be—we are the only

ones in Canada with a program, and there is only one other program we can even look at in the United States. It is either in New York state or in Florida; I forget which of the two it is.

Mr. Piché: I think it is Florida.

Hon. Mr. Brandt: The point is that there is only one state that has it. In all the southern states, where they have really serious problems, it is strictly a free enterprise situation. You pay for it if you have to clean up to protect your own property and that is the extent of it.

I do not know how deeply we can get involved in this. Let me suggest to you, however, if you want a ball-park number, that it might take \$100 million and perhaps even more. We are not talking about a small sum of money. If we are to have everything in place to look for the total eradication of termites over a one- or two-year period, let us say, that is the kind of number we have to talk about.

Mr. Elston: Is it the type of public program in which you might consider the way it is done in municipal drainage, for instance? If enough people in a given area sign a petition, the whole area is locked into a watershed in the case of a drainage situation. If you have a public problem with termites, you might consider that type of system if you are looking at the eradication of a problem in a given area or on an island, as you indicated. Have you considered this at all?

Hon. Mr. Brandt: Not that directly, although it is very much in line with the staff recommendations that have been made to me for a block concept treatment program. It would be far more effective than what we are doing now. Frankly, I am prepared for any input on the question, because it is a difficult one.

First, you have the issue of free choice, which is the home owner's obligation to determine whether he has a termite problem. Usually the problem is that the home owner does not know until he goes to put up a window-sill one day and puts his thumb right through it; he then realizes something has eaten away at the inside of the wood and there is no window-sill left, for all intents and purposes. It is very difficult.

Although I realize the comparison you are drawing is a valid one, we have to elevate the concern of the neighbourhood or the block to a very high level before it is prepared to move on the whole program in a co-operative fashion.

The other problem that has been raised with me by many municipal officials is that if you take a block—and I will use the example of 20 homes in a block—you may find a number of senior citizens or people who are living on marginal

incomes and perhaps struggling to maintain their homes. If you are expecting the home owner to pay at least a portion of the cost—I think it is around \$750 to the home owner for his portion of the bill—you are looking at a fairly significant amount of money, which would be almost equal to his annual tax bill for the year just to get rid of termites. That is one problem.

Second, there are many home owners who do not want anyone to know there are termites in their block, for obvious reasons. It has a very direct negative impact on property values.

Mr. Charlton: A house falling down will have the same impact.

Hon. Mr. Brandt: I do not disagree with that. But you are dealing with the human element here. Where you have a problem in a particular area and if it were made public, as an example, or if the real estate community was aware that these homes were infested with termites, property values would decline very rapidly. The whole issue is fraught with problems, and we do not have all the answers to them.

9:50 p.m.

Mr. Harris: Urea formaldehyde foam insulation could throw that in their homes too, but that was not the question.

What controls or assurances do we or the feds have, if any, to stop further termites from coming into Ontario? What I mean is, we are talking about solving a problem that is already here, but we feel the problem originates from south of the border. Do we have any measures to make sure they are not still coming in?

Hon. Mr. Brandt: I am not aware of any. Mr. Piché, can you respond to that question?

Mr. Piché: Yes.

Hon. Mr. Brandt: The importation of lumber, I guess, is really the question.

Mr. Piché: Termites could come into the country on any substances that have wood as a component. I must admit I do not have all the answers here at the moment either, but you are speaking about the responsibility in Canada for controlling the importation of lumber, raw lumber, finished furniture and any other substances or artefacts that contain wood. To the best of my knowledge, there is no department, federal or provincial, that is responsible for that.

There is no quarantine for imported chairs, for example, to see whether they are infested with termites. Nor is there any quarantine even for lumber. To the best of my knowledge, lumber moves freely across the border. I stand to be corrected if anyone knows differently, but I think

it moves freely across the border and there is no quarantine time to ascertain whether the lumber is infested with termites or any other problem.

Mr. Harris: Is it a major problem? I guess a cursory inspection should do it.

Mr. Piché: I think the answer is that if the wood is infested significantly, it will not be imported because obviously it has no value. There are only certain stages in the life where you might import it inadvertently. Obviously that affects the value of whatever you are importing. I think for the most part the importation of termites was something that occurred some time ago.

Hon. Mr. Brandt: Probably as early as 1927, which is our first recorded incidence of termites coming into Ontario. It has been here a long time. We could soon be celebrating 60 years of termites.

Mr. Piché: In conclusion, I would suggest the major problem is not importation. It is a resident problem we have now, as opposed to importing.

Hon. Mr. Brandt: If the opposition critics want a comprehensive briefing on what treatment is all about, it is very involved—that sounds like a quorum bell.

Mr. Charlton: The House just adjourned.

Hon. Mr. Brandt: It has? But the treatment is very comprehensive; it involves treatment of the foundation of the home. The way these termites tunnel, they are very insidious little creatures. They are very difficult to trap. You have to isolate them through the treatment in such a way that they will not simply resurrect themselves and continue after the treatment.

The full treatment for an individual home costs in the range of about \$2,000; it is not an insignificant cost. Government grants cover about two thirds of the cost; that is both municipal and provincial money. The \$750 I referred to earlier is the home owner's portion of the total program. You can see we are paying a significant amount of the cost now through the moneys we make available. However, in Ontario we have treated only about 3,000 homes to date. Those have been as a direct result of applications made to the municipalities, and ultimately to us through the municipalities, for money. That is how we go about dealing with the problem.

Are there any other questions on that, or can we move on to something else that was raised?

Mr. Chairman: Next topic, Minister.

Hon. Mr. Brandt: All right. Perhaps we could move on to the question of fines.

I have made some statements publicly, and I believe in the House, with respect to some of the

charges that have been laid by the ministry in the course of the past year. I want again to share with the members of the committee that fines have doubled over the past year for environmental upsets that have occurred which we feel required more than just a quick review on the part of our ministry and which in fact required a legal response based on what we feel is a direct and irresponsible degradation of the environment through either a discharge or a release of a contaminant of one form or another.

While we have increased the number of charges that have been laid, I have indicated that we are quite prepared to review, and are in fact in the course of reviewing, the level of fines at the moment with the specific intent of increasing those fines to reflect the level of inflation that has occurred since the last time the fines were adjusted.

I believe there are instances where the fines can be used as a deterrent. The question was raised as to whether fines can be used as a means of stopping certain environmental upsets that occur in our society. I firmly believe that if they are high enough, strong enough and substantial enough, they will act as a deterrent.

I want to increase the fines. We have not done that yet, but depending on the length of time we are going to be sitting, we may possibly have some changes I will be proposing in that respect that will call for an increase in the level of fines. It has been discussed with staff and we will be bringing forward some recommendations soon.

Mr. Elston: What is your feeling on the question of fines as representing more of a licence to pollute in a situation where there is a substantial capital involvement required, either through government assistance or directly from the capital allocations of a private company? What is the break-even point, if you want to look at it from that point of view? Have you gone that far in your study of fines?

Hon. Mr. Brandt: We do not use fines as the only means of leverage with a corporation or an industry that is not meeting the standards or the objectives of our ministry with respect to discharges, contaminant releases or whatever.

We do a number of things. It is fair to say we start with voluntary compliance and negotiating with a particular company to see if we can bring about the improvements we deem to be necessary to meet our standards. In other words, initially we go in and talk about the problem and tell them the things we would like to see happen.

Following that, if we are not successful in getting voluntary compliance, then our staff,

usually on a regional basis, will go in and review the matter again with the company in question and ultimately will establish a sort of control order that will require the company to meet certain objectives or standards that are outlined in it. That control order is far more substantial, I suggest, than any fine is likely to be.

In the case of pulp and paper mills, for example, almost all of which were under control orders at one time or another on the part of this ministry, the kind of plant modernization that is coupled with environmental control retrofitting of many of those plants involved multimillions of dollars. It was not a simple or inexpensive exercise.

Mr. Stokes: It involved \$450 million since 1976. I just read it today.

Hon. Mr. Brandt: I did not know the number, but I would say that is probably in the ball park. It is a very substantial amount of money. There are many pulp and paper mills and many other industries that are still not in full compliance. Those are the ones that are usually singled out by certain environmental groups who say we have allowed industries to operate at less than acceptable standards.

Number one, we establish the standard, and that standard is a target or an objective we try to reach in terms of moving the company to a better environmental control system. We know what the standard is. We know they are in noncompliance, because we have established the standard. If we wanted to have everybody in compliance—let me put it the other way around—we would simply lower the standard, but we are not doing that.

We establish a tough standard, one that I think is high but achievable and realistic, and then we continue to move the company towards that. Pulp and paper mills are an excellent example. A global overview of pulp and paper mills, where we are talking about suspended solids, biochemical oxygen demand levels and those kinds of things, shows they have moved to a point where across the board—some are better, some are worse—they are at about 75 per cent of the objective we would like them to reach. They are moving towards the standard we have established.

In other corporations and other types of industries, similar things are happening. They are in noncompliance only in so far as it is a shifting target; they are moving towards compliance. The fine is used as a last resort.

10 p.m.

Mr. Stokes: How would you differentiate for those who are not in compliance? It has been my perception that companies generally do not want to undergo the ignominy of being charged and having a fine being levied. The fines have been insignificant. Because of the economic situation, it is my perception that they will do everything they can to get by and delay compliance with the control orders.

It seems to me there is a difference between them not meeting the standards in the way in which they operate on a daily basis and when you get a spill such as the one you had at Espanola or Thunder Bay. What do you propose to do to make it unattractive for them to be sloppy enough to dump the 150,000 tons or gallons of effluent that had such a profound effect, particularly on the Spanish River?

Hon. Mr. Brandt: Perhaps I can take the case of Espanola, because it was the larger spill of the two you mentioned. In that case, the highest level of charges that have ever been laid by this ministry was assessed against E. B. Eddy Forest Products Ltd. They totalled some \$400,000 for eight separate charges, which I think is a comprehensive application of the fines on the charges that were laid.

Because it was available to us in this instance, we used federal legislation to lay those charges. That matter is still in the courts and has not yet been settled. E. B. Eddy is defending its position, indicating it was not an intentional spill. Obviously, that is part of its defence.

I do not know whether I am answering your question by saying we will move in and charge a company if we feel it has been less than responsible in the way in which it has dealt with the problem. If it is an act of God, if it is an unintentional spill or if it is something that can be proven to be accidental in every respect, obviously we do not take a heavy-handed approach.

We are not out there to try to put companies out of business. We are out there to try to improve the environment by creating the plant modernization that was done in the province and by incorporating environmental control equipment as part of that modernization program.

Mr. Caplice, you may want to come forward to help with this question a little. I know you are anxious to supplement my answer. Mr. Mulvaney, because we are dealing with fines and charges, you may wish to make some comments from a legal standpoint with respect to not only E. B. Eddy but also the role of the fine and the

methods we use. Mr. Caplice, would you like to take over from here?

Mr. Caplice: This is a brief answer to Mr. Stokes's question, which I think deals with the incident that occurred in his own riding and the one he referred to at Espanola. I think the minister was addressing that in trying to look comprehensively at the fine levels we have.

Where those things occur, be they by acts of God or whatever it might be, we have to move in with a judgement and move on them in an enforcement sense. The ministry has tried to arm itself since 1980 with much better training for staff and a much better prosecution approach of bringing people to heel for things they should not have allowed to happen or if they were careless. That is one of the approaches we have been stressing since 1980.

I recently attended a conference in Alberta. You may have seen it in the EcoLog; I think it is the last EcoLog publication by Corpus. I imagine Mr. Charlton and Mr. Elston read it. There was an attempt by one of the academic types there to say that enforcement and the things we have on the statutes have not worked in a number of areas in cleaning up pollution in Canada and therefore we should go to a whole new range of instruments. My answer, which they did not quote in the Corpus publication, was that many jurisdictions throughout North America have failed to try to run an enforcement program.

There is a lot of talk that has to be addressed around whether a jurisdiction has tried the enforcement route, has tried to raise the fines and has tried to run a tough program. Running a tough enforcement program requires the kind of backup Mr. Mulvaney's staff brings to the ministry. It requires the training of staff and some long days in court when you go in tough against people who, with the best lawyers they can get, are arguing that they are not guilty.

You can be parked there for a long time before you get your case fully out and get a judgement. Some people find that uncomfortable. Some bureaucracies find that uncomfortable. I think we have come a long way in Ontario in the last five years to get around that.

Mr. Stokes: What is the process? Let us take the Espanola incident.

Mr. Caplice: That is before the court. It is sub judice.

Mr. Stokes: Let us forget about that. What is the process? You go and look at a specific situation and say, "We think there has been a dereliction of duty and we think they have been negligent." Do you assess a fine that they later

appeal in court, or do you lay a charge and then the court itself levies whatever it considers to be an appropriate sanction or fine?

Mr. Mulvaney: The latter is correct. We simply lay what we feel is the appropriate charge or charges.

Mr. Stokes: That is what confused me. The minister said, "We have levied the highest fines in the history of any jurisdiction," and mentioned something in the order of \$400,000. I wonder how that could have taken place when the matter is still sub judice.

Hon. Mr. Brandt: As Mr. Mulvaney responded in part already, we establish the maximum allowable under the current legislation. The court determines whether that fine is going to be \$400,000 or \$1, or whether they are going to be released of all charges completely. This is the way it works. We establish a maximum.

When I talk about adjusting the fine level, I am not talking about the federal act, although I might add we have every authority to use the federal legislation when it is applicable to a circumstance in Ontario. I am talking about our own fine levels in Ontario. We are looking at adjusting those to reflect a higher maximum because they have not been adjusted to reflect inflation. If they were right five or 10 years ago, if they were appropriate at some time in the past, obviously they are wrong today.

Mr. Mulvaney: I might point out that in many cases, by the time you get to court, the defendant has already taken action to minimize the fine that will be assessed, either by terminating an illegal activity or by putting its house in order or something of that kind. Quite often, the fine is inversely proportional to the original event because the fine is brought down by the steps the company has taken in the interim.

Mr. Stokes: Can they replace 300,000 or 400,000 fish?

Mr. Mulvaney: Whatever. That is a situation where the fine may ultimately be quite low precisely because the company has done something in the interim.

Mr. Charlton: Could I get in on this question of enforcement and the question of fines as a deterrent? It seems fairly clear to me how it works in the larger cases and in cases where there is an ongoing situation about which the ministry has been concerned and which you are watching.

10:10 p.m.

What is the procedure in cases of smaller operations about which the ministry does not know very much, operations where somebody

telephones the ministry and reports there was a truck with licence number such-and-such last night across the street in the field and could you people please investigate it? You find they have dumped something there; you charge the company and you assess a fine; the court rules and imposes the fine. What capability does the ministry have of following up on that?

What do you do in the rare cases like that where it may be a totally isolated incident, or where it may be a regular habit of that company to go out once a month to dump something like that but it is dumping it in a different place each month so you do not get the same report from the same resident every month and you do not go running out and charging the company every month? What capability do you have of following that up?

In addition to that, the second part of this has to with your assessment of the term "value of fines." In other words, you look at what gets dumped in a particular situation and the potential costs of properly disposing of that and then you set a fine. However, if they are getting caught only one out of 10 or 20 times, do you take those kinds of things into account when you are looking at the real deterrent value of the fines?

Hon. Mr. Brandt: Let me answer it in part this way. First, with the waybill system, we have a much more specific knowledge of the total volume of waste that is out there. Therefore, we can identify the famous midnight hauler far more quickly in that something is missing in the tracking, which is computerized in our waybill system now. We know the generator of the waste, the transporter of the waste and the disposer of the waste. We have it covered.

Mr. Charlton: In all cases?

Hon. Mr. Brandt: I did not say that. I am saying that we have it covered probably as comprehensively as any jurisdiction of which I am aware.

The question you raise is, what happens if somebody intentionally tries to break out of the system and wants to dispose of waste in the most inexpensive way possible? Say they go to the back 40; they take an old tank truck with some PCB-contaminated oil and simply dump it in a farm. We are obviously not policing every square inch of Ontario 24 hours a day.

First, we have to find out about it. Usually, we find out about it through a report to one of our district or regional offices or we pick it up in the waybill system, which we have done before. We track it down; in other words, our people stay right on top of it to find out where that load of

waste went. We want to know that. We know it has been generated. We know it had to be transported; those people are licensed, and we will remove their licence if they are not operating within the appropriate context of that particular requirement.

What happens if we have somebody who is operating completely outside the system, illegally and unlawfully? We have a new unit that has been put in place within the ministry, called the SIU, the strategic investigative unit, which is becoming far more responsive on a daily basis. It consists of trained personnel who know how to take a look at circumstances.

They have a good operating knowledge of what the company generates and how much there should be that would have to be transported to a proper disposal site. They go in and do a complete investigation. They will ask for invoices and for the types of waste that were generated. They have the authority to go in and, if necessary, literally to look into all aspects of that company's operation to determine what it has been doing with wastes.

It is all well and good to say that we have these great bureaucratic responses there. In the past, in circumstances such as in King township, where we had a series of illegal things happening—the generation, the transportation and finally the disposition of that waste were handled in a totally inappropriate fashion—we moved in and all three categories of those individuals involved were charged.

We went in and cleaned up the site in question in King township. We are going to recover most, if not all, of the costs associated with that specific cleanup. This is the first time in Ontario it has happened that we have gone in and completely excavated and cleaned out a site. It was done by my ministry through a contract with a private company that actually handled the cleanup.

We will not catch them all; but we are laying a fair number of charges when somebody breaks the law. We are trying to get a better handle on all aspects of waste movement in this province.

Mr. Charlton: Let me ask you another question. How does somebody get into that waybill and tracking system in the first place? For example, if I run out tomorrow and set up a shop in Toronto where I am going to clean and degrease engines, I can run down to Canadian Tire and buy the stuff to do it. How do you get a record of me into your system in the first place? If I am degreasing engines eight or 10 hours a day every day and storing all the crap in barrels and at the end of month taking it out and dumping it

somewhere, how do you get me into the system in the first place?

Hon. Mr. Brandt: Mr. Gotts may want to respond to that because he is working directly with the waybill system.

Mr. Gotts: The circumstances you describe would classify you as a generator of waste. At this exact moment you are not brought into the system automatically. Where you would be brought into the waybill system, assuming that you were going to have this engine degreasing material hauled away, is when you would engage a contractor to do it. It is the contractor or the hauler who is currently required by the legislation to get a system certificate of approval under part V of the Environmental Protection Act. Therefore, he is the one who carries the waybill. He is the one we issue the waybills to.

When he arrives at your automotive operation, you would have to complete the generator portion of the waybill and submit it to the ministry. He would then transport the waste to the disposer. It may be somebody who recovers the grease and oil through a reclamation or particularly someplace where it would be incinerated. That receiver completes the other portion of the waybill and returns it to us. By computer entry and tracking, the two waybills have to match. If we do not get a match, either the generator or the receiver did not send his copy, and right away we say, "Something is wrong. Where did the load go?"

I hasten to add that we have recognized, and I think we explained last year here in the estimates, that even at that, the system can be made stronger. A big case we have made in the blueprint in our industrial management program is that the generator, in effect, gets off the hook too easily. He has too little responsibility in the management of his wastes and so we are in the process now of requiring generator registration and we describe that process of the regulations in the blueprint.

If we take the hypothetical situation you mentioned and move it forward a few months to when we have generator registration in place, if you are generating waste that is going to be hauled, you then will be obliged by law to register with the ministry, describing the nature of your processes, the character and the quantity of your wastes. That will also go in the computer.

We will also be entering in the computer the certificate of approval requirements for the receiver. To track that one step further he will be required to register. The law will say that it will be a violation if you give your waste to an

unlicensed hauler. You will indicate the expected destination of your waste and all of that will be tracked. We are saying that the generator now will have an obligation to follow up if he does not get a copy of the waybill back.

The new regulations will introduce a sixth copy of the waybill so the disposer of the waste, in addition to sending one to us, will send it to the generator. The generator, by law, will be obliged to follow up if he did not get one. We are really closing that loophole. We refer to it as cradle to grave.

Mr. Charlton: The situation is, if I never make that call to the hauler, you have no way of finding me at the present time?

Mr. Caplice: If you use your own trucks, whatever you wish—

Mr. Charlton: If I take a pickup truck, build a cab on the back of it, put an old oil furnace storage tank in the back, fill it up and go out and empty it once a month, you have no way of finding me at this time.

In what you are telling me about the generator registration, presumably then you are going to be also setting up some kind of enforcement of that registration, such as following up new businesses and things like that.

10:20 p.m.

Mr. Caplice: Yes. It is our intent when the generator regulation is introduced and it is part of the blueprint, and I believe it is the minister's intention to try to move it forward as quickly as we can this fall, to strike a special team of people in possibly the west central region under the direction of Mr. Boyko. We will assign to the people from the various regions, as a special task—and it is going to be an onerous task—looking at three definitions we have for waste in the blueprint. Then we are going to have to go through systematically and prioritize the first 2,000 or 3,000 big industries—and the big industries are already in on the picture because they know about the blueprint—and then during the subsequent months just bring everybody on stream.

We will probably have the occasional dispute, maybe with you as the owner of an industry, about whether your waste is hazardous or not. But we have tried to strike definitions that we think are in keeping with the problem, using the experience in the United States and in other jurisdictions; and we hope that, as rapidly as we can with a special team approach, 12,000 or 14,000 industries in Ontario will probably end up being logged in as being generators of some

kinds of wastes that are going to have to be tracked, as Mr. Gotts says, from cradle to grave. This is a big job; it is not an easy job.

Mr. Charlton: That raises another point, and it is an interesting one. With respect to this cradle-to-grave thing, is there not some way in the context of hazardous waste that we can get at the front end by the registration of the purchase of things that are likely to create the hazardous wastes?

Hon. Mr. Brandt: I was going to say there are a number of other fail-safes; then I will perhaps ask Mr. Gotts to respond to the last question asked.

Before moving to that, keep in mind that we also have municipal bylaws that control the dumping of these types of wastes directly into the sewer system. In many instances, we can kill all the bugs, as an example, in the treatment plant if we allow the wrong type of waste to be discharged directly into the system.

Second, as a result of the co-operation and, I might add, the concurrence of the opposition parties, last year we took a major step in protecting employees who reported an employer who was disposing of wastes inappropriately. That was a major breakthrough.

Mr. Charlton: I agree.

Hon. Mr. Brandt: What we did in that particular instance was to say that when an employee reported this kind of irresponsible activity on the part of his employer, we would protect his job once he had disclosed this information to us. Those are some of the things we have done, in addition to informing the public much more effectively.

In your own part of the province, in the immediate area of Hamilton, we recently had a company that got rid of a load. It was not done directly through a hauler; the hauler dumped a load—and I do not want to identify him, because the matter was dealt with—at the side of the road through a series of circumstances. It was brought to our attention by a passing motorist, who phoned the Ministry of the Environment and said, “I did not like what was going on by the road and I wondered what that was.”

We followed it up and checked the circumstances, and in this case both the company and the hauler were charged by the ministry. We are not going to catch every one of them, but we are a long way ahead of where we have been before in catching a lot of them.

Concerning the registration of the type of materials that would be used, Mr. Gotts may want to respond to that.

Mr. Gotts: Yes. Certainly our proposals do not envisage at this point requiring anyone who uses a particular material in his operation to register it automatically. In other words, our regulations are aimed at the waste side of the exercise.

We went to great lengths to explain our proposal through the blueprint process. We had many meetings; we travelled to 20 different forums across the province, and I must admit I do not recall this being one of the proposals we heard.

I am not saying that in time one might not look at it and say, “The system we have devised and proposed is not working well enough, and therefore we have to go another step.” But I think with each step you take you are balancing how much policing you are going to do versus the value you are getting for the resources you are putting into it.

For the most part we certainly are well acquainted with most of the industries that are required by the nature of their business to have wastes hauled away; we will catch information on others in the registration process. Certainly if it is determined later that this is inadequate, that there are people taking their own pickup truck and putting their own tank on the back and circumventing and fighting the system by going to that length, we may have to introduce other requirements. For the moment, having vetted our proposals across the province through many other jurisdictions, no one has seen it as necessary to go quite that far. It is certainly a suggestion we should consider in the future, if necessary.

Mr. J. M. Johnson: Mr. Chairman, I have sat on many resources committee meetings pertaining to environmental problems. I am deeply concerned about the lack of perception of the opposition, or maybe of society as a whole, of the fact that we do have a problem disposing of all types of wastes; not only industrial liquid wastes, which I understand Dr. Chant will be addressing in a few days, but all types of wastes.

It seems whenever a site for disposal is selected, opposition is generated to it. I do not really know where society thinks we are going to dispose of the waste we develop as a society. We have to dispose of it and we have recognize that there has to be a site that is going to be acceptable. It is simply a matter of agreeing on the most acceptable site. I think this is a responsibility of not only the minister, but also both opposition critics.

Mr. Charlton: That is very true.

Mr. J. M. Johnson: Just a minute. You have talked for days, I want to take five minutes.

I am simply saying there is a responsibility on all sides to accept the fact that we have to recognize we must dispose of the waste we produce as a society. We do not serve our constituents well when we simply say it is not going to happen here. We have to accept the fact that there are certain areas that can accept it and certain areas that cannot. That is something we seem to neglect, to take that political reality that we have to accept some measure of criticism. I remember a few years ago in 1981—

Mr. Stokes: Have you recommended any sites in Wellington-Dufferin-Peel?

Mr. J. M. Johnson: Jack, I would prefer to have one up in your riding. I agree entirely with what you are saying. Every member feels the same way.

I would like to point out that I have my share—in fact more than my share—of gravel pits. If you want to trade a gravel pit for a site, we can maybe work that one out. We have to accept what we have in geographical, physical details.

I remember being over in Denmark in January or February of 1981. Dr. Parrott led a group over there. Your people refused to attend, Brian. Murray, your people did attend. In Denmark, they made the equation that the politicians had to face up to the political reality of accepting what was necessary. That is one thing we have never done in this province. We have not been willing to pay the price.

Mr. Elston: That is right. No leadership. That is what we decided.

Mr. Chairman: I do not really think we are on—

Mr. Charlton: I think the points Mr. Johnson raised are very important.

Mr. Chairman: He strayed slightly. I think he is just a little off course.

Mr. J. M. Johnson: I will sum it up simply by saying I feel we have a responsibility to provide landfill sites in our areas for our own disposal. We cannot look at everybody else to do it.

Mr. Charlton: That is correct. Just to respond to that, because Mr. Johnson raised a very valid point, it is normally the responsibility of the minister and the Ontario Waste Management Corp. and society as a whole. It is also a responsibility of opposition members and a responsibility of other members of the government party and ministers of the crown.

I could not agree with you more, Jack. I recall a situation a little over a year ago when, before they came down to the eight sites OWMC is considering at present, there were a number of potential sites right around the Golden Horseshoe, one of which was in Hamilton-Wentworth in my area. One of the ministers of the crown went public and said he would fight tooth and nail to see that site was not chosen. Two of the local opposition members said: "No, we will not automatically accept the site but we are generating a hell of a lot of waste here. We have to play our part in this."

We do, from time to time, take on our responsibility on issues like that. To date, we have been very supportive of the whole process the OWMC has gone through. We are obviously not going to pass judgement until we see the final proposals and the technical studies that go with those final proposals. We are certainly prepared to accept our responsibility in that process and to do it as carefully as we hope the OWMC and the ministry are also doing it.

Mr. Chairman: Thank you, gentlemen.

Hon. Mr. Brandt: Before you adjourn, Mr. Chairman, I want to make a comment with respect to the last statement made by Mr. Elston, about having leadership in this province. I would like simply—

Mr. Elston: I was not being provocative.

Hon. Mr. Brandt: Not at all, sir, I was not accepting it as a provocative statement. I would like to bring to the attention of the committee that the only member sitting here this evening who has a disposal site immediately in or adjacent to his riding happens to be me. I have the Tricil operation which disposes of about 30 per cent of the toxic contaminated wastes in this province through incineration and landfilling. We accept that as part of our responsibility.

We also think, however, if I can speak in a very parochial, focused, narrow basis, there are other jurisdictions that also generate wastes and something like 70 per cent of the total waste in Ontario is generated in the immediate area of the Golden Horseshoe. Thus Dr. Chant and the Ontario Waste Management Corp. have identified that is the area in which some form of a disposal facility should be located.

As you know, we have identified eight sites. We are going to get into this whole question when Dr. Chant is here. I would like to say there are some of us—if I may sound so personal—who are already trying to deal, at least in part, with this extremely critical, important question. Let us face the reality. There is no industrialized

society anywhere in the world that does not generate at least some residual products, in the processing or manufacturing exercise they go through, that have to be disposed of.

This sounds like a philosophical statement and I do not mean it to sound like that, but if you want quality of life and you want the standard of living that goes with it—and most municipalities are eager and, frankly, very much involved in the promotion of bringing in new industry—then at the same time you have to share the concomitant

responsibility of finding a way to dispose of those wastes in an appropriate and safe fashion to protect all of our citizens against any kind of environmental hazard. I just wanted to say that.

Mr. Chairman: Thank you very much, Minister. I want to remind the committee that on Tuesday night of next week, a week from tonight, Dr. Chant will be here. Tomorrow morning, we will be ready to proceed with a few other votes.

The committee adjourned at 10:33 p.m.

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Tuesday, October 16, 1984

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No. R-23

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of the Environment

Fourth Session, 32nd Parliament
Wednesday, October 17, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, October 17, 1984

The committee met at 10:12 a.m. in room 228.

ESTIMATES, MINISTRY OF THE ENVIRONMENT (continued)

Mr. Chairman: I recognize a quorum and we will get under way with this morning's activities. I think we finished up all the responses the minister had, except perhaps for one.

Mr. Elston: Mr. Chairman, I was going to continue with a couple of questions for Mr. Mulvaney. If I can kick off this morning, I was more or less interested in following through on the extended number of charges that have been laid and the question of fines and things like that. I know that one of the difficulties in litigation is that a maximum fine level may be set, but being able to obtain the results requires a good deal of expert help in the courtroom.

I would like Mr. Mulvaney to give us a bit of a rundown on how the legal services part of the ministry is performing under this extra work load. What are your thoughts basically as to the number of people you have in the field, as it were, or in the courtroom, and how you are coping with the question of recognizing the extra pressure for results on fines and prosecutions?

Mr. Mulvaney: Mr. Chairman, we are getting a lot of help from the SIU, the special investigations unit the minister spoke about. In the last few years we have found that the prosecution files sent to us have improved vastly in their preparation and the evidence available.

We less frequently have to go back and request follow-up investigations. It is also less likely that we would be dealing with an isolated incident which really involved a more complex series of contraventions, the point that Mr. Charlton made.

With the SIU, and with the actually improved quality of investigation by the other provincial officers as well, we find today that the isolated incident is more likely to be followed up. If it involves more than that, if it involves a series of contraventions, we find the file will deal with that.

Many of these investigations take place over several months and are quite complex. The first point I would like to make is that we are getting a

great deal of help from the investigators in presenting these cases before the courts.

The outcomes are still satisfactory. The number of cases which commenced during the last fiscal year was 75. Those are the cases handled by our branch, commenced by information we developed, and during that fiscal year 75 were commenced.

Of course, we work on a larger number of cases than that because during the year we would also work on the cases commenced in the previous fiscal year and cases under investigation in that fiscal year which did not get launched until the following year. The 75, however, is a useful basis for comparison with other years.

Tracing those cases up to the present time, 59 have resulted in convictions, 13 are still before the courts. Only three were dismissed and those are under appeal. So, at least up until the present time, the work load has not reflected itself in the outcomes of the prosecutions. It is a heavy work load and, of course, coupled with the increased involvement in the hearings before administrative tribunals, it may well be that we are going to need some help on the legal side in the months to come.

Basically I would say that, so far, the outcomes are good. My branch would attribute a good part of that, I am sure unanimously, to the quality of the investigations that are done in the ministry.

Mr. Elston: Could you tell us about the level of fines levied on the 59 convictions. Were those approaching maximum fine levels? Could you comment in general on that, because what we were told last night was that the number of informations or charges levied would total, if maximum fines were levied, over \$400,000?

You might give us some idea of how successful that maximum fine level is in relation to a measuring stick if the minister is going to use that as a means of determining the fine level.

Mr. Mulvaney: I do not think we are pushing up against the maximum figure too frequently. As the minister indicated, what higher fines will do, of course, is give the courts a signal of the desire to see some higher fines and will also give the courts in serious cases—and we hope a relatively small number of serious cases—a wider

option, a larger range, in order to assess substantial fines.

I could run through a few of the outcomes involving one solicitor. I had the opportunity to have one of the solicitors report to me on some of the cases he had handled in the fiscal year.

The first case involved a corporation charged under the Environmental Protection Act for discharging a chemical contaminant, trichloroethane. In that case the accused pleaded guilty to the charges but there was no agreement as to the fine. That was fought out.

For the Environmental Protection Act charge the accused was fined \$3,000 and for the Ontario Water Resources Act the accused was fined \$4,500, totalling \$7,500.

In another case, a corporation was charged with several offences under the Pesticides Act because they had permitted an unlicensed operator to represent them and such an operator had carried out an extermination project at a school. The accused corporation had permitted the unlicensed agent to do this without being sufficiently concerned about the consequences. The corporation pleaded guilty in that case and was fined \$8,000.

Mr. Elston: What would the maximum fine have been in that case?

Mr. Mulvaney: It would have been much higher because there were 15 offences under the Pesticides Act and the maximum fine under that act is \$5,000.

10:20 a.m.

In many of these cases you are up against potentially very large fines in an arithmetical sense; but the reality is, based upon the evidence and the case before the courts, the lawyer handling the case has a good sense from previous cases in the courts of what he can expect to see in the way of a fine.

Mr. Elston: If I might interject at this point, the use of maximum fine levels which might be possible under particular information, is not really a good yardstick in measuring the effectiveness of the current fine system.

Mr. Mulvaney: No, particularly because, as I indicated last night, if a defendant really makes a serious effort to discontinue an illegal activity, for example, an illegal waste disposal site, or if he makes a serious effort to correct the problem that led to the investigation and the charges, he will then get a smaller fine. The fines we get, therefore, often do not seem to reflect the original incident, and that is because the courts, probably

properly so, give a lot of weight to what the company does in the interim.

Your point is quite right. The maximums do not have a very direct relationship, but we do feel that if the maximums were higher this would serve as a signal to the courts that the Legislature is looking for fines that reflect inflationary increases, for example. In the serious cases you are dealing with, where you are going to be pushing up against the maximums, it will give the courts a higher range of options to bring down a penalty that would be an effective deterrent.

Mr. Charlton: Could I have a supplementary, please?

Mr. Elston: I just have one more question on this level, which is whether the courts take into account the financial position of the corporation or the personal violator as a yardstick for measuring fine allocations? Have you found that to be one of the criteria?

Mr. Mulvaney: The defendants sometimes raise that issue. One of our lawyers, Mrs. McCaffrey, has developed the practice of using a forensic accountant to analyse the financial circumstances of the company and to challenge assumptions of inability to pay. Quite often, when that is done, the defence is withdrawn. You do not see it materialize. We have relatively few cases where the defendant has successfully argued the inability-to-pay issue.

With smaller companies and individuals I am sure it is taken into account, but with corporations we do challenge that assumption with the use of accountants. That practice Mrs. McCaffrey initiated has been extended and other lawyers employ it as well. I think it is a useful check against that assumption of inability to pay.

Mr. Charlton: I have one more question. I do not think any of us have serious objections to the idea of the courts taking into account a company's or a corporation's performance in the interim between the time a charge is laid and the time the conviction is rendered. If the problem has been cleaned up, then certainly the court should have the right to deal with that and to take account of that.

On the other side of that same question, do we have evidence that, for example, on a second or third conviction for the same offence, the courts are taking that into account and heading for the maximum?

Mr. Mulvaney: Yes, that seems to be a clear-cut pattern. The courts generally will not want to tolerate the continuance of a practice that

has been dealt with and condemned by the court in an earlier instance.

In most of our cases involving illegal waste disposal sites, when you are considering the deterrent effect of prosecutions, by the time we get to court the activity has ceased and, in fact, it probably ceased during the course of the investigation. Once they are aware of an SIU investigation, an illegal waste disposal site is out of business.

There are certain situations, even though you cannot demonstrate it with mathematical certainty, where the effect of the deterrent is fairly dramatic. We do find that the courts will take into account earlier convictions.

Mr. Elston: I wonder if we might follow up on the 75 informations issued in the last fiscal year. How many investigations might you have done? What percentage would that 75 have been of the incidents on which you would have followed up?

Mr. Mulvaney: As I indicated, my branch works on a higher number of cases because we would have been handling cases from the earlier fiscal years that were carried over and that are under appeal and so on. Then we would be working on investigations for this fiscal year for which charges had not been laid until after April 1. I do not know the number there; it might be somewhere around 125 or 130 cases that my lawyers would have been working on.

That is pretty close to the number of cases we are involved in. It is not very common that my branch is involved in an investigation that does not lead to charges. There are going to be a few cases in which the evidence is just so weak that you cannot proceed with it, but basically the prosecutions we work on are very close to the same number as the ones that get launched.

Mr. Elston: So by the time they get to your level they are almost always a go as far as prosecutions are concerned.

Mr. Mulvaney: That is correct.

Mr. Elston: How many people do you have who are full-time prosecutors, courtroom litigants?

Mr. Mulvaney: Leaving aside the lawyers who concentrate entirely on administrative hearings?

Mr. Elston: Yes.

Mr. Mulvaney: It is primarily Linda McCaffrey, David Crocker, John Swaigen and Minoo Khoorshed. Prosecutions are the main activity of those four. The rest of us might do one here or there, but primarily we have those four. They are very experienced prosecutors, among the most

experienced in the country, and they do virtually all our prosecutions.

Mr. Elston: When you intervene in a spill and use federal legislation, do you find it at all a disadvantage in taking people from your staff to prosecute on what is not a usual intervention? Do you or do they feel disadvantaged in terms of the expertise required to use the evidence in accordance with the practice under it?

Mr. Mulvaney: It is a little extra work; you are not quite as comfortable as you would be with your own legislation. In the case of the Fisheries Act, Mrs. McCaffrey pioneered its use in Ontario with a charge against American Can several years ago; which resulted, I think, in a \$63,000 fine. So in the E. B. Eddy case we did have someone who was familiar with the practice under the Fisheries Act.

Mr. Elston: Once the decision is made—I presume that once Mrs. McCaffrey or whoever is assigned to a particular situation or case takes it over it is her opinion that is then used to determine whether you proceed and where the evidence is appropriate. Is that fair to say?

Mr. Mulvaney: That is correct, with the exception that on a larger prosecution, like those I mentioned, there will be a team. There are in fact three people, two lawyers and a prosecutions officer, on the team prosecuting the E. B. Eddy case. So it is a little more complicated.

Mr. Elston: That would include Mrs. McCaffrey and another?

Mr. Mulvaney: She would be the senior counsel.

Mr. Elston: And a junior counsel, rather than one of the other three?

Mr. Mulvaney: No, not a junior counsel; another senior counsel.

Mr. Elston: Do you ever pull in people from private practice to assist in these prosecutions?

Mr. Mulvaney: We have not had occasion to do so; the outcomes seem to have been satisfactory. We would probably resort to that more readily in the hearings area because hearings are long, drawn-out affairs and it would probably be more workable to fit in someone from a private law firm on a long hearing. He would develop experience in the course of that hearing and free up one of my people for prosecutions, because one hearing could equal many prosecutions in the matter of time involved.

10:30 a.m.

Mr. Elston: This may be an unfair question, but it is something I think the people in the

province sometimes suspect happens and I have had people complain to me about it. There is a feeling that where there appears to be, *prima facie* at least, a case against a company or a private individual, there is sometimes intervention from a source outside the legal branch of the ministry. In terms of your staff, have you ever had complaints about an intervention on items other than the full legal ramifications of the facts as set out? Is it a common practice? Has it been expressed to you as a difficulty in proceeding with prosecutions?

Mr. Mulvaney: It is not a difficulty. Virtually 100 per cent of prosecutions that are recommended by our branch, in the sense that the evidence is there, get approved.

Mr. Elston: Every time they get to your staff there is a free hand as far as the factual situations are concerned?

Mr. Mulvaney: I have seen cases where my staff changed its mind, where it took another look at it and found that, on further investigation, the evidence was not as good as it looked to be in the first case. That is rare. They usually make a correct judgement the first time.

Mr. Elston: There is a free hand once it gets to the legal services?

Mr. Mulvaney: We seek approvals. We take the position that our branch is not acting independently of the ministry. We take direction from the deputy minister. However, the practice has been that if it is recommended by the legal services branch, it is approved.

Mr. Elston: For general information, can you run down the four individuals who are doing your courtroom work? I know a couple of them and I know they are experienced.

Mr. Mulvaney: The most experienced is Linda McCaffrey, who is a Queen's Counsel now. I think she is the most experienced and, with all due respect for the others, probably the most successful prosecutor on environmental cases in Canada.

John Swaigen's early years were with the Canadian Environmental Law Association, so he has virtually concentrated his entire career on the practice of environmental law. With my branch he does prosecutions virtually 100 per cent of the time; he concentrates on that area of the law.

Mr. M. F. Koorshed has divided his time over the years, but in recent years has been moving more and more exclusively towards prosecutions. His experience exceeds 10 years.

David Crocker has been prosecuting environmental cases for virtually his entire career with

the exception of a one-year leave of absence, with some work on hearings as well. Those four people collectively have more experience than any other team in this country, and probably more collectively than many jurisdictions in the United States.

Mr. Charlton: I have a couple of quick questions that relate to some of the things Mr. Elston was asking you about. The minister has mentioned a number of times during his comments that, for the most part, charges and prosecutions are the last resort, that the ministry has attempted in most cases to try to find other solutions. Does all that happen before it ever gets to your staff or are your staff involved in that process at all?

Mr. Mulvaney: I think the last resort concept is more applicable to a situation where there is an ongoing industrial enterprise. If it is a case of a midnight hauler, a spill situation that is serious or someone operating an illegal waste disposal site, we do not think in terms of a last resort. The ministry then usually acts and it is usually in the form of a prosecution.

Over the years there has been a philosophy that, with an ongoing industrial situation that has problems, the ministry initially tries to assist and to gain the co-operation of the company. It moves to the control order stage only as a secondary stage to obtain the implementation of abatement equipment. Then a prosecution would normally result, if there were a contravention of that control order, unless there was a spill situation or some exceptional situation. There is that pattern.

Mr. Charlton: One last question. In a spill situation, in deciding to lay a charge to what extent is the immediate and apparent damage a consideration; i.e., you have two separate spills in two companies and two different locations: one, such as the E.B. Eddy incident, where there is a very immediate and visible amount of damage, fish kill; and another, which may not have any immediate or obvious damage but is contributing to the general degradation of a body of water or a piece of land, or whatever the case happens to be. To what extent do you take that kind of thing into account in the laying of a charge?

Mr. Mulvaney: It is one of the most important factors in terms of the priority we put on the case, in terms of how solid the evidence has to be and in terms of the fine we think would be appropriate. One of the most important factors will be the damage that occurred to the environment. The courts will look for that too. The

courts will divide up the cases in their own way and they will attach more importance to that type of case.

Mr. Charlton: How do you go about assessing the damage to the environment, short term and visible, over and against long term and just as serious?

Mr. Mulvaney: There is the risk situation. We do deal in terms of the risk, commonly, in cases such as illegal waste disposal sites where no damage has actually occurred. The trucks are hauling from point A to point B and point B may be in the United States or outside Ontario and we cannot really demonstrate damage to Ontario's environment by the activity that occurred. Then we bring to the courts the issue of risk, what could have happened had a spill occurred or had something untoward occurred. Generally, the courts listen to that plea.

Mr. Charlton: What I am getting at is where there is a body of water such as Hamilton Harbour or Burlington Bay, or whatever you want to call it, depending on which side of it you happen to live on. That body of water has been seriously damaged, degraded over a fairly lengthy period of time, and a company like Stelco or Dofasco, or whatever other company, has a spill into it. Is the attitude that there is no real environmental damage because how could there be damage to something that bad?

Mr. Mulvaney: We have seen that as a defence. Since the act speaks about impairing a body of water or impairing the quality of water, we have had defendants say the particular area into which they discharge is separated from the mainstream and over the years has been degraded and ought not to be viewed as a case of impairment. That defence has been unsuccessful so far in the courts.

Mr. Chairman: Mr. Elston, are you satisfied? Okay. Thanks very much.
10:40 a.m.

Hon. Mr. Brandt: If there is nothing further for Mr. Mulvaney, we will continue, Mr. Chairman, with the questions that were raised by the opposition parties. There were a series of questions, I think principally raised by Mr. Charlton, relative to the whole area of acid rain. This morning I have with me Walter Giles, who is the associate deputy minister in charge of that function as part of his area of responsibility, and also Tom Brydges, who is the co-ordinator of our acid rain study. I would ask those two gentlemen to come up and join us.

By way of preliminary opening remarks, I would like to say that our commitment on the acid rain side has been very substantial over the past number of years. On studies on acid rain and in attempting to prepare the case we have made on a frequent basis with our American neighbours and to co-ordinate our program with our federal counterparts, we have spent well in excess of \$30 million.

Our annual output in terms of the money that is required for the operation of our facility at Dorset, which I would encourage you to visit if you have not had an opportunity to do that, and the other acid rain activities that are ongoing on a regular basis, probably amounts to something in excess of \$7 million a year. It is not an insignificant amount of money, I can assure you.

Admittedly, I have not worked it out with every single jurisdiction, but our commitment per capita is very high compared to any other province in Canada or any other state I know of in the United States. We are committed to finding some of the answers to acid rain. There are some experiments which we have conducted, such as the liming experiment on some lakes in an attempt to buffer those lakes on a temporary basis until we get the long-term solution. We all recognize, and I think it is fairly well accepted, that acid rain can only be stopped at source and that we have to reduce sulphur dioxide emissions in order to bring that about.

With just those brief opening remarks, I will turn now to Walter Giles. Before I do, I should introduce the third man, David Balsillie, who is the director of our air resources branch. The whole question of air quality, which includes sulphur dioxide emissions, comes under David's area of responsibility as well. Mr. Giles, I will ask you to carry on from here.

Mr. Giles: Mr. Chairman, members of the committee, both Dr. Brydges and Dr. Balsillie are prepared to respond to the questions that were posed the other day. Perhaps we could take them in the following sequence: deal with the 20 kilogram per hectare per year target and its relation to the forest, then deal with the soil and the buffering capacity and then finally deal with the reductions in sulphur dioxide.

The 20-kilogram figure is pretty well internationally accepted as a target loading to protect all but the most sensitive areas in the aquatic ecosystem. But at the moment we do not have sufficient information anywhere in the world—and Tom can perhaps elaborate on this because he has just come back from a visit to Scandinavia where he did look into this among other

things—on exactly what level of protection one would have to have in the forests and soils in order to have a comparable target to that for which we have established 20 kilograms in the aquatic ecosystem.

We do have a lot of work under way. Much of it involves David Balsillie's activities, so he may wish to elaborate as well. We are as up to date as anyone on this whole question because of our contacts both in Europe and in the United States.

We have made recent visits to the German forests where detailed investigations by one of David's staff delved into exactly what is the situation in Germany and what sort of a relationship can one draw between acidic precipitation and damage to forests. It is a very complex area to try to understand because there is a multitude of factors that can influence the health of the forest. It seems obvious that pollution is one of these but just exactly what the mechanism is is not too clear.

Perhaps I could ask Tom to indicate his contacts with the European community task force that is studying effects. In fact, he is Canada's representative on that committee. With that, plus his recent visit to Scandinavia, he could give us an indication of what he believes they understand over there now.

Dr. Brydges: Thank you, Walter. I cannot add an awful lot. The 20-kilogram number was based on empirical observations in the field that said, "If you have above that level you have a problem; below that level you do not." I understand the theory has not moved ahead to being able to defend that any better than the observations in the field itself. The Scandinavians, particularly the Swedes, published some proposed target loadings that are quite a bit lower than what we were talking about. To date they have not provided any scientific defence of those numbers. Really, we cannot comment much further than that.

The 20-kilogram number is slowly being accepted. The United States is our main concern. Based on empirical observations, you have to be very careful that the 20 kilograms applies only in the area from which it was derived, which is eastern North America. The fact that it may not match European figures is not terribly relevant because they do have some different conditions.

In the United States now, although they do not officially accept it, we notice that when they do some of their evaluations of control programs they tend to run them against what they will do in terms of the 20 kilograms. Then they tend to say, "We do not like that number, but it is a Canadian

number and we will just go with it." It seems to be creeping in.

As time has gone on since we first published the document in 1982, further data have been collected in Ontario which have essentially supported that number. It is beginning to become defensible and it does look as if it is now being used to derive many of the evaluations of the United States control programs.

Hon. Mr. Brandt: By way of some good news on this whole question, we have been measuring loadings in the Kenora area of slightly above 15 kilograms per hectare, using again the 20 number that you are discussing now. On the basis of about 15 to 15.5 kilograms, we have not been able to attribute any damage to the forests in that area as a result of that level of loading.

As Dr. Brydges was saying, the 20 number is not necessarily a magical target, but based on our observations it would appear that somewhere around that number will protect relatively sensitive environments. It will not protect all of them.

Mr. Stokes: Why do you not go to some area where it has an obvious impact such as the plume at Wawa? Are you not aware of that?

Dr. Balsillie: Oh, yes, we are aware of that one.

Dr. Brydges: Maybe I could just step in on that. We have done extensive work in the Wawa area. The situation there is that there is an acute problem and the major deposition is with the dry deposition of sulphur dioxide gas. It is that sulphur dioxide gas which is actually causing the problems in the Wawa area and a limited area to the north and east because of the geography and wind patterns in that area. So it does not really represent a good model on which to base your conclusions for the effects of long-range transportation and deposition of material.

Mr. Stokes: Are you not aware of the studies that were done by Lakehead University that were commissioned by the Ministry of Natural Resources and the federal government to see what effect acid rain is having on the lakes in Pukastwa Park? There are about 20 sterile lakes in Pukastwa Park, which is not downwind traditionally from the situation at Wawa but still we have these 20 sterile lakes in Canada's newest national park. Where is it coming from?

Dr. Balsillie: We are aware of that situation. That was an anomaly which concerned us because the deposition rate there is not as high as what we would expect to cause the kind of damage we are seeing. The important words that

Walter said are 20 kilograms for all but the most sensitive areas.

10:50 a.m.

We have gone in there now with a monitoring station for collection of wet and dry deposition in order to get a handle on the true deposition for that particular area, because it seems that area is responding in a way we would not expect. We have monitored all over the province, but we seem to be having a larger number of lakes in that area apparently suffering distress than we would have expected. We know the loading is not as high as 20 in that area.

We are in there. We are monitoring and checking on it. The federal government has a study site at Turkey Lake, which is just down to the east side of Lake Superior. We have a lot of study sites in that area as well, assisting the federal government at Turkey Lake, so we are aware of all these things. It is a question of trying to assimilate all this information and put it together to draw a true picture of what is going on.

Dr. Brydges: I want to add to that: for the record, the study you are talking about is funded by the Ministry of the Environment.

Mr. Stokes: It is?

Dr. Brydges: That is our work. That is being done through Lakehead University.

David is right, that is some of the most significant information we have picked up since the original target loading was developed. That area appears to have a touch under the 20; it is between 15 and 20 kilograms. There is acidification of the very sensitive waters, the ones with very low buffering capacity in the watershed. Some of those watersheds look like southern Norway, they have very thin soils. That is exactly what the target loading said would happen.

The reason we could not refine the target loading any further is that at the time we did not have that kind of data. Since then we have learned that if you are just a touch under 20—we are not quite sure what that touch is yet; as Dave said, we are clarifying that now in deposition measurements but the runoff says we are a little below 20—we are getting acidification of the very sensitive situations. That is what we expected to get.

The other thing that study is throwing out the window is the argument that constantly comes up with the United States, that this is all caused by natural acidity and colour and so on. We have shown in the gradient that those people have

collected for us across northwestern Ontario, that in the lakes, the colour in the lakes does not give low pH unless it is associated with sulphate deposition. Those data have really refined our understanding of the issue. We now have to tighten up on the deposition value to determine just exactly where it is.

Mr. Stokes: Are you going to have to lower the figure that you had accepted as something that is tolerable, given the effect that even natural acidity has on those lakes and its effect on aquatic life?

Dr. Brydges: No; and that is the point, we will not. The best data set we had indicated that if you were at 20 you might have some damage in the very sensitive waters but those are a very small percentage of our resource. So the 20 sort of stands as it was defined. It is quite defensible.

The other thing, of course, is we hope in the long term that we get our friends in the United States down to 20 kilograms in the Adirondacks. If we can ever do that, we then bring all of our sensitive areas substantially below 20, which is just a little bit of a gamble perhaps.

The number still stands with the condition, as we said at the time, that it would not protect everything, but if we were to the point where we had a 20-kilogram maximum average, the amount of resources affected would be probably small enough that you could either accept it or lime them.

It is a sliding scale. You just do not find at 20 everything suddenly goes to hell in a basket. As you go up the deposition curve the number of resources that are affected increases all the way up. So as you come back to 20 you have a little residual that is still being affected. You might have to get down to 10 or 15 to knock the entire effect off the map, but we are not going to see 10-kilogram and 15-kilogram depositions realistically for a long time.

Mr. Stokes: Given that there has been quite a bit of media coverage of the fact that in the Ruhr Valley in West Germany, where 60 to 70 per cent of the productive forests seem to be going downhill, what are you learning from that experience? Given the protocol that we signed with West Germany for the monitoring of these things, what is the state of the art in that?

Dr. Balsillie: Dr. Sam Linzon, the supervisor of our phytotoxicology section, was recently in Germany. He had a personally guided tour by Dr. Jager from the federal forestry service of West Germany. He visited six major sites where damage had occurred to those trees. He talked to the scientists involved and he came back with a

complete picture of what is going on in West Germany.

We are now meshing that information with the programs we have already started to look at the forests here in Ontario and to determine whether we feel we have any forest damage at present and to determine whether there is the possibility of forest damage 10 years down the road. In other words, are we where Germany was 10 years ago?

We are looking at the air pollution levels, the concentrations of the various gases. In fact, we have better data on the levels of SO₂ and ozone in our province than they have in West Germany as they have not been doing ozone monitoring on a continuous basis for a very long time. We also have a better data base on the deposition, both wet and dry, of acidic materials.

To a certain degree we are having a little bit of trouble correlating the two because we have a bit of a different picture. We do have that concern that we are not going to be in their position somewhere down the road.

Dr. Linzon was in West Germany in 1981 and he did not believe that the damage could be as bad before he went. Since he has come back he has changed his mind. There is not, as you say, 60 to 70 per cent forest damage but about 30 per cent, which is a tremendous amount. That has all occurred since 1981. It appears that the trees reach a certain point and then there is a rapid decline.

We have started four biogeochemical site studies in the province. Two of them are at Dorset on two separate types of stands where we have a certain deposition rate. We have another one in northeastern Ontario to the west of Sudbury which has a lower deposition rate. Then there is one to the west of Thunder Bay, which has a very low, or what we consider to be a background deposition rate.

We are looking at the amount of material being deposited there. We are looking at the amount coming through the canopy and arriving on the floor of the forest. We are looking at the amount and concentrations of the material which runs down the stems of those trees. We are looking at the soils. We are looking at the roots. We are looking at the growth patterns. We are looking at any kind of trend that we can find which might indicate to us that there is damage, or a potential for damage, due to acidic deposition.

The one area where we have immediate concern is that in the maple syrup groves in the Muskoka-Haliburton-Parry Sound area there has been a—

Mr. Stokes: Quebec, too.

Dr. Balsillie: In Quebec, too, but I was dealing just with our province. We have talked to Quebec. We have been to see their damage. There appears to be something wrong. I say "something" in quotation marks because we really do not know what it is; it is called maple decline. The growers are suffering a smaller output of syrup because the number of trees is declining and their yield is declining as well.

We were looking at nine individual maple syrup bushes during this past year. There has been a lot of coverage on television and elsewhere. You may have seen it. All of those items I mentioned for the biogeochemical sites are being looked at on those particular sites, plus we are looking at the impact of managing those forests for syrup. There may be a difference between the management for syrup and private woodlots that are not managed.

At this time we do not know what is causing maple decline, but we are setting out to find out. We want to find out whether or not acidic deposition or air pollution in general is having an impact on those areas.

To return to your question about the memorandum of understanding, we do have a number of items under that memorandum still under way. I was in West Germany two weeks ago and met with the liaison officer for that memorandum.

In addition to the previous items of the modelling and the economic studies we are going to proceed with another study. A West German scientist is coming to our controlled environment facility at Brampton to study physiological changes to crops and trees that are subjected to acidic deposition and to assist us, and we will assist them, in this joint program to try to determine some of the early impact of acidic deposition on our crops and trees.

In a nutshell, that, along with a couple of other programs which may come up in our further discussions, is the type of thing that we are doing. We want to prevent what happened in Germany from happening here 10 or 15 years from now.

11 a.m.

Mr. Charlton: Do we know at all what the annual rates of deposition were in the German forests where the damage is showing up now?

Dr. Balsillie: They did not do the deposition rate measurements we have been doing in the past four or so years. They have just started to do deposition monitoring. It appears their levels of wet sulphate deposition are several times higher than ours. From the numbers we have collected

in our woodlots and the numbers they have collected in their forestry plots, it appears their deposition rate numbers are much higher than ours.

Mr. Stokes: They seem to be blaming Britain for it now.

Dr. Balsillie: Similarly to ourselves, the Germans are claiming that about 50 per cent of the material which falls in West Germany actually comes from somewhere else. They have a problem in that a lot of their material comes from the eastern bloc countries and lands in West Germany. When the wind blows in the other direction, they may get it from some of the other industrialized areas. They are willing to admit they are 50 per cent of their own problem, but claim that 50 per cent is an external problem.

Mr. Elston: We are talking about a particularly sensitive area with respect to those acidified lakes that Lakehead University is studying now. What is our inventory of property or area of land that could respond similarly to those lakes? What are the very sensitive areas we are talking about for which the 20 kilograms may not be sufficient? Have you a feeling for that at all?

Dr. Brydges: I do not have very accurate data from the alkalinities, but we have about 5,000 lakes now for which we have alkalinities. I think it would certainly be less than five per cent, maybe less than one per cent on a provincial basis.

Mr. Elston: The 20 kilograms is really going to be sufficient for well over 90 per cent of our area that would be affected.

Dr. Brydges: Yes. As well, as you get down towards the 20, you take the severity of the stress off lakes that are even more sensitive. It is a sliding scale. You may have to go down to a very low value before you could not record any effect whatsoever, but we will not see that. The 20 was a sawoff. You will get just about everything. There will be some left, but it will be small.

Mr. Elston: With respect to the five per cent or whatever percentage it is, if it is reduced to that low an area does it become more reasonable to start doing liming or, as in one article, what the Arm and Hammer people in the United States are talking about, putting bicarbonate into the lakes? Does that become a more reasonable approach?

Dr. Brydges: I think it probably does. The Swedes have said for years, "Give us 90 per cent control and we will lime the rest." I think it is a not unreasonable approach. You reach the point where the cost of control goes up as the emissions go down. You get curves where costs are going

up and benefits are going down. At some point, it may very well be realistic to lime a small percentage of the resource to hold that in place.

Mr. Elston: If you have the rest of it controlled, that becomes feasible.

Dr. Brydges: I think it does.

Mr. Elston: The feeling I had originally from listening on the question of liming or not liming was that the approach was that it was far too expensive to consider doing it on a large scale to deal with the problem. You feel it is reasonable if you can do the other.

Dr. Brydges: Yes, because you would be dealing with a small number of lakes. They tend to be small in surface area also, so the total aquatic resource area is small. The lakes that would still be affected are small headwater lakes and that sort of thing.

Mr. Elston: I have an article from the London Free Press that talks about the use of bicarbonate. The article says, "However, an official with the Ontario Ministry of the Environment said sodium bicarb was given 'very brief' consideration several years ago and the steep price tag gave budgeters gas," which I thought was a rather unique way of expressing it.

Dr. Brydges: I do not think I said that.

Mr. Elston: I presume there is little advantage in using that as opposed to the ground limestone we are using now.

Dr. Brydges: You can use all kinds of chemicals to actually do the job, but there are several advantages in using limestone or crushed limestone, which is calcium carbonate. First, it is always cheaper to get and it is a little closer to what occurs in nature. Sodium carbonate is not formed in nature.

The criticism of liming is always, and legitimately, that you do not return the lake to where it used to be; you have a lake that is a mixture of sulphuric acid and calcium bicarbonate, which makes a whole mess of calcium sulphate in the water. But at least calcium sulphate is closer to Mother Nature than sodium sulphate. Calcium is the dominant ion that you would normally find in the weathering process.

So you do have a little hedge on your bet; calcium carbonate looks a little more like what should be there anyway. It tends to be cheaper and more available, and it is quite safe to handle. There is no human risk involved with calcium carbonate; nor is there much with sodium carbonate, either, for that matter. Some of the other compounds, like slaked lime or hydroxide and so on, work and have been used, but you

have tremendous human safety problems with these chemicals.

I should not leave target loading before we make it absolutely clear that it is not a case of just comparing the sulphate deposition in these different areas, as Dave has mentioned. It is true that in Germany the sulphate deposition is much higher in some cases than ours, but with forestry we do not know what the causative factor is at all. It may not be sulphate or sulphur deposition at all that is affecting the trees in Germany.

The leading theory is that ozone predisposes the tree to damage by low-pH rain. If that is the case, certainly controlling sulphur dioxide gets a crack at half the problem; and the two go together, so if you eliminate one, you eliminate the whole problem. Controlling sulphur dioxide, even with the best data we have on forestry, still seems to be the absolutely defensible route to go. You have to control sulphur dioxide to solve the aquatic problem, and you might, on the basis of present information, solve the forestry problem or prevent it from occurring.

But that cause-effect relationship on forest damage still has to be resolved, and it is not unreasonable that another target loading with respect to even another pollutant might come into the picture later on.

Mr. Stokes: Have you made a cost-benefit analysis in the case of Ontario Hydro of using low-sulphur coal as opposed to spending the money it would take to install scrubbers or electrostatic precipitators? Does Hydro ask you to give it advice? Are you in on that equation, or is nothing being done?

Dr. Balsillie: Mr. Chairman, I can reply to that. Over the years we have had, of course, a lot of ongoing discussions with both of the two largest emitters in our province and we have made some strides in reducing the levels of sulphur dioxide emissions.

Regarding the situation with Ontario Hydro, we have of late had even further discussions, and all the things you have mentioned here have been put on the table. We have done extensive analysis of the cost-effectiveness of utilizing, for instance, low-sulphur western Canadian coal; we look at coal blending; we look at whether we should consider some new types of technology other than scrubbers, such as injecting limestone into the actual furnace to recover the sulphur dioxide before it goes up the stack. We have looked at a new type of technology called fluidized bed roasting, which had been used previously in the mining industry but now could

be applied to boiler furnaces and recovering the sulphur dioxide actually in the fluidized bed.

We have covered all these things and we have looked at the cost-benefit of, say, installing some sulphur containment technology, whatever it might be—whether it would be better to switch to low-sulphur western Canadian coal or whether it would be just as good to cut back on our own sulphur dioxide emissions and buy power from Quebec and Manitoba. All these options are being reviewed in the light of the regulation we have in place that Hydro is going to have to meet in 1986 and 1990.

The answer to your question is yes, we have all these discussions and we do some of the preparatory work. Ontario Hydro is also doing preparatory work and looking at running some pilot projects to find out which would be the best technology to apply.

11:10 a.m.

Mr. Stokes: This dichotomy has been going on for 10 or 15 years. Why does it take so long?

Dr. Balsillie: Some of the new technologies that are being developed have only come out in the last little while. Also, the US situation, where the power corporations have been able to keep on stalling with regard to having to cut back, has not aided in the development of technology for large plants. Here in Ontario we have three major large plants, where most of the units are something like 500 to 800 megawatts. Most of the technology being developed so far has been tried on much smaller units, and there is a hesitation about jumping to new technology.

In addition, the situation here in Ontario so far has been that the regulation calls for them to meet a certain limit by 1986. As has been articulated in the past, they plan to do that using the nuclear power program and relying on the hydraulics. The questions are, how will they meet the 1990 limit and is further sulphur containment technology going to be required by 1990? We still have enough lead time to do the type of pilot projects required to meet that 1990 goal and to get the sulphur out of the flue and contained in some way.

Mr. Stokes: Are you monitoring the Atikokan situation? They are going to use low-sulphur coal from western Canada.

Dr. Balsillie: No. What they are using at Atikokan is going to be low-sulphur lignite from Saskatchewan.

Mr. Stokes: Okay. You know what the situation is without that plant being in operation. It is soon to be in operation. What do you hope to

learn from that to serve you well with regard to other situations in the province?

Dr. Balsillie: From which standpoint?

Mr. Stokes: You know what the position is now with regard to the amount of sulphur dioxide that comes naturally or drifts in from elsewhere.

Dr. Balsillie: Yes.

Mr. Stokes: Are you monitoring that now so you will have a comparison after that plant gets in operation?

Dr. Balsillie: Most definitely. We have had monitors there; as well, we have a site in Minnesota, which compares Minnesota's deposition monitoring techniques with ours and with those of the US Environmental Protection Agency. We have a tripartite sampling site in the Boundary Waters Canoe Area.

Mr. Stokes: They were the biggest objectors.

Dr. Balsillie: They were the biggest objectors, and we have had ongoing meetings and discussions with them. We supplied them with all the information. As well, that plant at Atikokan keeps reducing in size in terms of amount of output. It appears now that in all likelihood the output will be much less than the Steep Rock operation that was in Atikokan previously; so, in fact, we are going to see a net decrease in sulphur dioxide emissions in that area.

Mr. Stokes: Because of the type of fuel used?

Dr. Balsillie: And because of the total throughput.

Hon. Mr. Brandt: Our best information is that the impact from that plant will be extremely minimal. We do not have any information at this point. First of all, the plant is considerably smaller than was originally proposed,

Mr. Stokes: About one fourth.

Hon. Mr. Brandt: That is right. You will recall that there were some real and concerned objections raised by our American friends about coming on stream with a high-output sulphur dioxide plant, but that is not going to be the case there because of the type of coal they will be using and the reduction in the size of the facility itself.

A very small percentage of increase in sulphur dioxide deposition will occur as a result of the plant. I cannot recall the exact percentage we are estimating, but it is very low. It is not a figure to be frightened of, I can assure you of that.

Adding the very minimal amount of sulphur dioxide into that area, and considering where the deposition is likely to go, it will not impact negatively on the environment. I can assure you

of that as well, because we looked at that and analysed it very carefully.

Mr. Stokes: Does that tell you something? If you use the right kind of fuel and you stick to smaller plants, that might be the answer, rather than these megaprojects.

Hon. Mr. Brandt: The logistical problems of delivering coal from Saskatchewan to Atikokan are considerably different from delivering it from Saskatchewan to Lambton, to Nanticoke or to other places, but I do not disagree with you. Obviously, if you use a better-quality coal or if you get a mix that gets the sulphur content down into the low two per cent or below two per cent range—and in the case of western coal we are below one per cent sulphur content—then you start burning a cleaner coal.

However, keep in mind that some of the American plants that are arrayed immediately south of the Canadian border—I am speaking of the Ohio Valley, and we have maps that will show you where those plants are located—are burning six per cent sulphur coal. That is just not the case in Ontario. They are burning a very dirty type of coal, and of course that coal in many instances not only ends up landing on their own area but impacts very negatively on our area as well.

We use a better coal, it is more expensive and it burns cleaner, and Atikokan is coming on stream with all of those features built into it.

Mr. Stokes: What is the sulphur content of the American coal that is being imported for the coal-fired generating stations in southern Ontario?

Hon. Mr. Brandt: About two per cent; it is the best low-sulphur coal we can buy. I might add that those contracts have to be long-term contracts, which is part of the difficulty in acquiring that supply on an ongoing basis.

The coal that we purchase from the United States is not cheap coal; we buy the most expensive or among the top range in terms of cost because it does burn cleaner. In many instances we buy from the United States a higher-priced coal than they are prepared to use themselves.

They look again at the logistical problems of delivering coal, let us say, from Illinois. The critics, along with myself, had an opportunity to visit that area in Springfield. The plants are in fairly close proximity to where the mines are located; so they move the coal a short distance, but it is not a high-quality coal.

It is not unusual that some of the power plants in the United States will make application to the Environmental Protection Agency under the

Clean Air Act to bump that figure up so as to burn dirtier coal. I have seen applications from Indiana, Illinois and various locations where not only are they not cutting back or moving into a cleaner burn from the coal they are using but also they are actually making application to burn an even dirtier coal because it will reduce the cost to that power plant.

Mr. Stokes: Have you noticed any difference in the US utilities when you studied them, such as Consolidated Edison and those that are in the business of producing electricity in the northern states, as opposed to what the Tennessee Valley Authority is doing?

Hon. Mr. Brandt: The staff may want to comment on this, but from my perspective I have seen some areas where one state takes a harder line on air quality than perhaps another state. You will note that their purchases are somewhat aligned with ours in terms of purchasing cleaner coal.

Michigan is perhaps one of the model states, and New York state is moving towards that kind of control; but there are other states, and I will mention one, Ohio, that do not have a good record at all. There are utilities, which are usually state-oriented to a certain extent, which are better than others—better in the sense that they are prepared to make an economic sacrifice to bring about a cleaner environment.

Tom or David or Walter may want to expand on that.

Mr. Giles: The US plants are quite variable, as the minister has indicated, not only between states but also sometimes within states. It depends a bit upon how modern a plant it is and what the requirements are, but their percentage of coal varies all the way up to six per cent. They also have some plants that burn very low-sulphur coal; Ontario Hydro, with Lambton and Nanticoke, is sort of two thirds of the way down that list of the 50 worst emitters in North America.

11:20 a.m.

Dr. Balsillie: With respect to Ontario Hydro, because we are already blending coal at Nanticoke, the actual overall percentage of sulphur in the coal is less than two per cent; it is around 1.8 per cent. By 1990, it will be just over one per cent overall total burn of sulphur in Hydro coal, which is an excellent record.

In addition, when a company or a power plant petitions the US EPA to either raise its level or continue to burn at a higher level, the Ontario Ministry of the Environment intervenes or sends information to be read into the hearing process; in

fact, we have travelled to these hearings and presented Ontario's case that they should not be allowed to raise their levels or to continue at higher levels because of the impact the long-range transport of materials has on Ontario.

Those are the kinds of steps we are taking in addition to what is happening at home. We are travelling to the United States to intervene on the people's behalf.

Mr. Stokes: If every utility in North America dropped down to the one per cent that you seem to think is acceptable, could the Ministry of the Environment live with that?

Dr. Balsillie: We have looked at the total emissions in eastern North America. We know from our long-range transport computer modelling efforts what it would take to get the emissions down to a point in certain areas to protect certain targets. We look at targets such as Muskoka-Haliburton, the Boundary Waters Canoe Area, parts of Quebec, the Adirondacks and New England. We have done these types of analyses.

If all utilities went down to one per cent—and I have not done this particular calculation—that would remove a large bulk of the sulphur dioxide emissions and it would certainly go a long way to assisting all of us, both in Canada and in the United States, in meeting our target of 20 kilograms of sulphate per hectare-year of wet deposition in all of these sensitive receptor areas.

As Tom mentioned earlier, if we targeted certain source areas and the United States were to target certain source area reductions to protect the Adirondacks, then we in Ontario and Quebec could meet our own objectives, especially since we are going ahead with a reduction here in eastern Canada as well. I do not think we would have a lot of problems if that were to happen in the United States.

Mr. Stokes: Did you notice in a most recent report from West Germany that their government was taking immediate action to get catalytic converters installed on all their motor vehicles because they said that was the most important part of the equation. Since we do have catalytic converters on most new cars in North America now, have you seen any dramatic drop in the amount of sulphur dioxide?

Dr. Balsillie: The catalytic converter is not related to emissions of sulphur dioxide. The catalytic converter is related to the emissions of nitrogen oxides.

Mr. Stokes: Nitrogen oxides.

Dr. Balsillie: Maybe I can just go back one step. Tom mentioned the problem of ozone. Ozone is not a primary pollutant; it is not emitted by anything except maybe the subway when you see those large sparks or by lightning. Ozone occurs in the atmosphere when you have nitrogen oxides and hydrocarbons which chemically react in the presence of sunlight.

One of the major reasons for attacking the automobile emissions is to reduce both the nitrogen oxides and the hydrocarbons so you reduce the ozone. One of the spinoff effects is that ozone is an important factor in oxidizing sulphur dioxide to sulphates in the atmosphere; if you reduce the levels of ozone, you slow down the atmospheric chemistry and you assist the acidic deposition problem by reducing ozone. Anything you can do to reduce the levels of automobile emissions also ultimately helps you with your acid rain problem.

Mr. Giles: I might add that they are starting from scratch in Europe with the control of auto emissions. They have not taken any steps until now.

Mr. Stokes: Is it a fact that we could not live without some ozone but we can have too much of it?

Dr. Balsillie: There is a discrepancy between the ozone we have close to the ground and the ozone we have in the upper layers of the atmosphere. The upper-layer ozone is protecting us by screening out ultraviolet radiation. The lower-layer ozone is a problem we have created for ourselves, and we have too much of it at certain times in certain places; it is not helping us at the ground level.

Mr. Chairman: Thank you. Any further questions on the acid rain item?

Mr. Elston: Maybe I could ask one question about the long-range transport model. It was being lent to help set up the eastern Canadian studies on reduction, I believe. What is the status of that? Was your model being lent for use outside Ontario to help deal with the eastern Canadian reduction program?

Dr. Balsillie: Yes. We have what we call a long-range statistical model which deals with long-range averages, and we have used that because Ontario is a prime mover and the minister is the co-chairman of the eastern provincial-federal task force provincial thrust in reducing emissions. To develop scenarios that would be cost-efficient, we combined our long-range transport model with a model that was

developed through Mr. Castel's shop on the economics and least-cost scenario.

Using those two models together, we have developed possibilities which the federal and provincial ministers can review to determine what would be the best way to achieve the reductions to the 2.3 million tons which were announced on March 6.

Mr. Elston: For details of that model and the statistics we should be talking to the co-chairman; is that it? I was just suggesting that you, Minister, rather than your staff, would perhaps have the details of the operation of the statistical model you are using for the eastern provincial-federal task force.

Hon. Mr. Brandt: I know you are saying that in part with tongue in cheek, but that is essentially going to be correct. We do have a working committee that Mr. Giles is involved with at the moment; it is taking a look at the cost impact of those reductions. We are very close to getting down to the job of trying to assess where those reductions are going to be made right across the seven eastern provinces. That computer model will be tremendously helpful to us in arriving at those kinds of details.

Essentially, there has been agreement all along that we want to get those reductions in a least-cost fashion. Because of the economics, as you can read almost daily when you look at US responses to why they are not moving on this issue, it quickly brings home the reality that this is going to be a costly exercise no matter how you go about it. We have to do it in as intelligent a way as we possibly can, which implies we have to target those areas where we get the maximum return for whatever dollars are invested.

At the moment, in terms of dollar-per-ton reduction, that appears the most effective dollar investment will be smelters, followed by power plants and followed by refineries, which are away down the list. Those are the three essential categories as you go down; but it is about a 10 to 1 return, for example, with a smelter to a refinery, to cut the same tonnage out of one as opposed to the other.

Yes, in answer to your question, we will be able to provide you with those details and I will keep you posted on the workings of that committee, because I am very anxious to get on with the job that is going to help us to meet that target by 1994, which is the 50 per cent cutback.

Mr. Elston: Will you have to resign your co-chairmanship, should you become Premier, or would you carry that on?

Hon. Mr. Brandt: I will continue to have a passing interest, should that particular event come to any kind of fruition as you are suggesting. But there have been no decisions made by the present minister with respect to the other position. I want you to know that if and when that occurs, you will be one of the first—not the first, but one of the first—to know.

Mr. Elston: Just one other serious question. As a result of the eastern provincial-federal agreement, have you noticed any change in the attitude of people in the United States? Has there been any increase in the degree of co-operation with New York or other states where we have traditionally received pretty good co-operation, at least recently anyway?

11:30 a.m.

Hon. Mr. Brandt: I travelled with Walter to Washington immediately following the agreement being put in place. We met with Allan Gotlieb, the Canadian ambassador, and then had a series of meetings with our American counterparts, including John Dingell, who was the chairman of the energy committee and one of the most outspoken critics of Canadian requests to reduce sulphur dioxide.

The reception there, I think, was very good. I have commented on it before, but I can tell you just very quickly that they do not completely understand the Canadian system, which is almost the reverse of the American system. We have made a commitment to a target, we have publicized it and the governments have now committed themselves to it. That is a de facto situation in Canadian politics and the way it operates.

The Americans do it entirely differently. They would have all the mechanics built right into the bill—and most of you are aware of this—concerning where those cuts would come from so they would know specifically. By the time the American political system makes a determination of where the reductions are going to occur, they would be outlined in detail and be part of the total package that would be approved at the time the Congress or the House of Representatives passes that particular legislation.

So there is a little confusion when they ask on occasion, "How are you going to arrive at those cuts?" and we tell them we have a working committee and we are going to sit down and negotiate it. They cannot understand how we would go about doing that, because in the American system it would be extremely difficult to do.

Mr. Stokes: Are they actually studying it?

Hon. Mr. Brandt: Oh yes; and we are working co-operatively with them, I might add. Tom may want to comment on this, but in conversations I have had with our American counterparts I have encouraged sharing with them as much research as we possibly can, as we are doing with West Germany.

We believe we are getting a far better return for our dollar investment on the research side by not duplicating our efforts when other jurisdictions are involved in much the same type of research. We have an agreement in place, in conjunction with the federal government, with West Germany, whereby we share certain research. We also share research through certain accords we have signed with individual states. Minnesota is one and New York is another. Have I missed one?

Mr. Giles: We have not signed the one with Michigan yet, but it is coming.

Hon. Mr. Brandt: Michigan is to come yet; it is under negotiation. Those agreements are essentially for the sharing of information on research, so they are doing some research on their side and we are on our side as well. Tom or Walter may want to comment on that further.

Mr. Giles: In addition, they have an extensive research program, which in fact was doubled. At the time of the state of the union address, Mr. Reagan announced they were not going to take direct action but were going to increase their research. They literally doubled their research to over \$50 million.

We are working with them on a number of different projects because we have a co-ordinated research program in Canada as well with a federal-provincial committee that manages our total Canadian effort. We interface with the American counterparts at least twice a year and have individual scientists working on co-operative efforts; so there is a very close working relationship on the research side.

Mr. Stokes: Has there ever been any talk through some agency of the United Nations, or has anybody ever had the wild idea that, in the transmission of pollutants from one jurisdiction to another, if it could be proved that industrial activity in one jurisdiction unduly impairs the quality of life or the environment in another, a charge should be levied? Has anybody ever tried to use that scenario as an incentive for people to be a little bit more hospitable towards their neighbours?

Hon. Mr. Brandt: We have looked at those kinds of things. Of course, they are very difficult to enforce on an international basis. We have agreements in place now that really cover the substance of what you have talked about, such as the International Joint Commission on water quality.

Mr. Stokes: But that does not work.

Hon. Mr. Brandt: It works, but it is still extremely dicey. When you look at the world situation, can you imagine the kind of difficulty the West Germans would have in dealing with the eastern bloc countries, for example? Czechoslovakia is one of the largest polluting industrial countries in the entire world and it exports most of its pollution down the river and through stacks. There is very little in the way of control there and the chances of ever reaching agreements that would stand up in any kind of world court are extremely slim.

Again, the staff may want to expand on what I have just said, but I do not hold out any great hope, I can tell you, for that kind of legal mechanism to provide us with the kind of thing we would need in order to control our American friends on a situation like this.

Mr. Giles: If I could just add, the European community, for example, has within its charter that the 10 countries signed an understanding that they will not pollute their neighbours. In fact, citizens of one country can appear before tribunals in another country if they believe a proposed plant might affect them.

I would share the minister's view that really there is nothing in place that is working in that sense and I am not aware of anything where there is a fine levied against one country's industries for damage in another country. But the European community is one area where they have at least recognized this and have set standards that they try to maintain. Then, through the United Nations Economic Council for Europe, there are some declarations of intent, both in terms of protecting your neighbours and, in the case of the so-called 30 per cent club, a declaration of their intention to make reductions of significant amounts by the year 1993.

So there is co-operative work going on, but not of the exact type you referred to.

Hon. Mr. Brandt: There was a series of questions raised that I would like to cover, since they have been read into the record. They emanated from Mr. Charlton, who has just left, I guess for a few moments.

Mr. Charlton raised the matter of buffering materials on the acid rain question and where

those materials are located. He also wanted to know whether the materials are on the surface or below ground, and how this affects the buffering capacity of the soil.

Staff could deal with that series of questions now.

Mr. Giles: The buffering capacity, as was indicated previously, is the most important factor involved in this kind of damage to the environment, because you can have a high deposition of sulphur and sulphates and very minimal impact if there is an adequate buffering capacity in the soils.

We have an example of that in southwestern Ontario, for example, where there is a high level of deposition, much higher than in Muskoka, but not nearly the impact on the soils and certainly on the waters because of their buffering capacity, which depends to quite an extent on calcareous materials or limestone, which are found throughout the soil itself rather than in any particular layers.

It is those areas where there is very little material that can buffer where we have the problem, as in the north. In the north, one can even find examples of neighbouring lakes where there is a much higher buffering capacity than in others simply because of the nature of the soil. Perhaps David could enlarge on this since it is his branch that is doing much of the study on the geochemical work in our forests.

Dr. Balsillie: We realized at an early point that we would have to know what areas in Ontario would be sensitive to acidic deposition. Over the past three years we have been sampling literally across the province to develop what we call a soil base line. We have established 300 permanent sampling sites where we have done extensive analyses of the soils from the various horizons, so that we have done physical characters, chemical characteristics of these soils.

The two major outcomes of this study are that, one, we get a soils map which tells us where the sensitive areas are in the province and in considerable detail; and, two, we establish a base line so that we can go back five or 10 years down the road and determine whether there is any trend.

11:40 a.m.

These sites have been mapped very closely to within a few metres of their actual location, so that even another person could go back to them five or 10 years from now and determine if some trend is happening. We have carried out those types of studies, so we do have what we feel is an

accurate statement on the soil sensitivity of the province.

As Walter said, there are the extremely well-buffered sites, there are those that are acidic already because of their nature and there are the in-between sites. It is those in-between sites where we will be spending our time looking for those trends. We have spent quite a bit of time and effort to develop this data base. It is going to stand us in good stead in the future.

Mr. Stokes: You have not refined it to the state of the art whereby you can say that if there is a natural buffering agent or a condition that will withstand a greater onslaught, that would be the place to build a coal-fired generating station, as opposed to one where it would be on granite, such as in Atikokan.

We know the one in Atikokan was a political decision. It was not based on any scientific grounds. Atikokan was in trouble, and those people felt they had to do something, so they hit upon building a coal-fired generating station. If they were to carry your hypothesis to a logical conclusion and say, "Okay, we need additional generating capacity, so we will construct it as long as we can fit it into the Ontario grid," that would be the ideal place to build such a plant.

Dr. Balsillie: That is not exactly correct because the place where the emissions impact is not necessarily where they are emitted. Whenever any new source wants to come on line, it undergoes a review process by the ministry and we apply our long-range transport models to those sources so that we know their impact on sensitive areas downwind. We would also know whether we could locate a plant closer to or further away from an existing sensitive area based on the emission rate and the deposition it will cause in those sensitive areas. We are already at that point.

With regard to the Atikokan situation, we knew at the time and we know now, based on our modelling efforts and the environmental studies we had done, that there would not be an environmental impact in that area, even though it is a sensitive area. We can do that evaluation in many ways.

Mr. Stokes: That is only because you have a plant about one quarter the size originally designed. That is a major part of the equation.

Dr. Balsillie: That is a major part, but the total emission from that plant because of the fuel would not have been that great either because of the loading that was going to be put on it and so on. We also knew the background levels and the total that particular site could withstand.

Mr. Stokes: What good is your research then?

Dr. Balsillie: The research lets us know whether a particular site is acceptable or is going to be impacted to a certain degree by any particular source, whether that source is in Ohio, on the north shore of Lake Erie or in Atikokan. We can predict what will happen in the future because we have done that research, we have done the modelling exercises and we know what the environment can withstand in those areas.

Mr. Stokes: Does your research lead you to believe that if you had had the information you have now as opposed to the limited amount of knowledge you had 10 years ago, you would have advocated something different with regard to where a smelter should be built or where a coal-fired boiler would have been built?

Does the information you have collected within our own jurisdiction lead you to believe that had you had that knowledge 10 or 15 years ago, you would have advocated something different? Surely that is the benefit of research and additional knowledge.

Dr. Balsillie: That is correct. In retrospect we have gone back to various emitters and have caused them to reduce their emissions based on information we have now that we did not have 10 to 15 years ago. If I can just back up, the smelters in Sudbury in the 1970s were able to meet the ground level concentrations in the Environmental Protection Act. When we started to do the work on acid rain, which was not until the latter part of the 1970s, we realized that, no matter whether they were meeting the ground level concentration, they were impacting downwind so we put the regulation—

Mr. Stokes: You just built a higher stack.

Dr. Balsillie: No. They built the higher stack in 1971 to alleviate the local problem. In the late 1970s we understood they were having an impact downwind; so the minister at that time put in the regulation which forced them to cut back, even though they were meeting the local ground level concentration standards, in order to prevent deposition in Muskoka, Quebec and the Adirondacks.

Mr. Stokes: Surely you knew that was going to happen.

Dr. Balsillie: We were not sure in the early 1970s. In 1968-69, when that stack was first envisioned, the whole idea of acid rain and the impact of long-range transport was not a concept that was part of our total philosophy. We did not have it within our framework at that time. That is something which evolved through the mid-1970s

and late 1970s. We started to grapple with it in 1979-80.

Mr. Stokes: Surely there were winds long before we were here.

Hon. Mr. Brandt: If I can take that a little further, well over 100 superstacks were built in the United States. At that time it was state of the art technology and was perceived by the best minds at that time to be the answer to the local problems they had, and it did clear up local problems. They started greening up the areas as they did in Sudbury. In much the same way, the geography around American power plants started to return quite nicely in terms of the greening up of the area and the aesthetics. However, then the long-range transport situation became far better understood. We all got trapped with the same thing, not only Inco but the Americans as well. That is why we are getting the long-range transport—

Mr. Stokes: I think even I could have predicted that. We have rye on the rocks in Sudbury, but try to tell anybody in Muskoka that things are better than they were before they built the stack and you will get quite an argument, including one from the Minister of Industry and Trade (Mr. F. S. Miller).

Hon. Mr. Brandt: I do not disagree with that. It was not the answer it was thought to be at the time.

Are you through with that section? We are answering some of the questions you had raised, Mr. Charlton. This was with respect to the buffering capacity, soil conditions and a whole number of things. The other question that was raised was on the reductions from 1972 to 1984 in sulphur dioxide emissions and also about the impact this may have had as a direct result of production cutbacks. I gather the suggestion is that, because Inco was down for a period of time or there were layoffs and closings that occurred with reductions in the actual production of the plant, that may be in part responsible for some of the reductions that occurred. I wonder if you could take that series of questions and respond.

Dr. Balsillie: The air pollution index is located in a number of cities across Ontario. The sulphur dioxide monitoring is located for the most part in the various cities in the province. The largest amount of the decrease we saw between 1972 and 1982 was the result of fuel switching, either from high sulphur coal to lower sulphur coal, high sulphur oil to lower sulphur oil or away from oil and coal to gas, so that as a

result of that fuel switching we achieved a major decrease in the SO₂ levels in our cities.

Most of the decrease occurred in the early to mid to late 1970s, prior to the economic slowdown which occurred in the late 1970s and into the 1980s. Although there was some decrease at places such as Inco or Falconbridge as a result of the economic slowdown, the major part or bulk of the reduction of SO₂ in our cities was due to fuel switching.

11:50 a.m.

According to the various cities, Toronto was reduced by 80 per cent; Windsor, 75 per cent; Sudbury, 64 per cent; Ottawa, 85 per cent; London, 33 per cent; and Sarnia, 40 per cent. In addition to those activities, we introduced a sulphur content and fuels regulation for Toronto that said no fuel could be burned which contained more than 1.5 per cent sulphur.

During air pollution index alerts, companies that are emitting sulphur dioxide are asked to cut back. In the Sarnia area we have the Lambton industrial meteorological alert system for the Lambton Industrial Society, which cuts back during periods of higher levels.

We have done a lot of work on local incinerators in apartment buildings and other sources such as that, and we have had, especially in Sudbury, changes or improvements in industrial processes, such as pyrrhotite rejection or SO₂ containment in acid plants. In actual fact, the reductions for the most part were not due to the economic slowdown, and therefore the loss in production or the loss in activity at various industries was not a major contributing factor to this cutback.

You had some other questions related to new pollutants. I was not here, so maybe you can clarify, Mr. Charlton, what your question was. I got the impression you wanted to know what monitoring we were doing for new or exotic pollutants.

Mr. Charlton: Not necessarily monitoring, although perhaps monitoring. What the ministry was doing in following up process changes and targeting new things you should be monitoring.

Dr. Balsillie: As I said, the major reduction in SO₂ is the result of fuel switching, so there was not necessarily a lot of followup that would happen there. We have continued to do routine monitoring for sulphur dioxide, nitrogen dioxide, ozone, carbon monoxide particulates, reduced sulphur compounds, etc. Those are the major compounds we monitor in the cities.

In addition to that, we have seen a whole new host of chemicals being emitted into the environ-

ment as a result of the changes that are occurring in the industrial processes and because of the demand for different types of products. We have evolved new and other methodologies to sample organics, polychlorinated biphenyls and other organic vapours, in order to get a handle on what levels these compounds are at in the atmosphere and where we need to take abatement action.

Mr. Charlton: Taking the example of the air pollution index expansion that is going to be occurring, how did you go about determining which substances should be the new targets?

Dr. Balsillie: The substances are not new targets. They are the same substances we have been monitoring, but we have not been releasing those levels to the public because we went originally with the sulphur dioxide and particulate problem as being our two major problems which were causing health-related problems in our cities.

We have those under control. Our air quality telemetry system now is somewhat outdated and we want to expand and increase that, so we can get really tight monitoring from all across the province. In doing that, we have an opportunity then to get out there to all the people of the province information on all these other six major pollutants, including the combination of SO₂ and particulates, which is the existing air pollution index.

Hon. Mr. Brandt: Does that cover the question in connection with the new air index monitoring system to your satisfaction?

I guess you raised that question relative to the announcement I made in the House. There were two things that were going to happen. Essentially, we were going to expand the system to include some 20 communities as opposed to the seven that are monitored now. Those are the seven you normally see, for the benefit of the committee, that show up on the cable television where they show the actual reporting number for pollutants that are measurable. That is a relatively narrow band of pollutants, as you know.

When the new equipment is installed, again it will be computerized and it will give us 20 communities and an expanded number of pollutants we are going to be monitoring. Does that explain the situation? If you want any more on that, perhaps the staff can deal with that as well.

Mr. Charlton: Are you now monitoring for lead emissions anywhere in the province on an ongoing basis?

Dr. Balsillie: Lead, being a particulate pollutant, is monitored on a regular basis with our

Hi-Vol sampling network across the province. We take our filters and we routinely have them analysed.

We have recently published a report that showed that the lead levels in Ontario have been reduced by about 70 per cent over the last 10 years. This is mainly attributable to the reduction in the lead in gasoline and the increased use of unleaded gas. Leaded gasoline contains much less lead now than it used to.

In particular areas, such as around secondary smelters, we do even more intensive monitoring and we monitor that on an ongoing and routine basis. We provide that information back to the medical officer of health and we have a dialogue with that group and the community with regard to the lead levels in those areas. Lead is a high priority with us and we do a lot of lead monitoring.

Mr. Charlton: Have you been able to establish, in co-operation with the health sector, the relationship of lead emissions to health effects as a result of the reduction? Have you been able to see the effects of that and perhaps the effects of being in peak lead emission areas at peak emission times and the effect that it can have on health and so on?

What has been done in that area in learning about the health effects as a result of the monitoring and the reductions that have gone on?

Dr. Balsillie: Previously the only blood lead studies that have been done in the province were related to the high emission areas such as those around the secondary lead smelters. As a result of the new initiative by the federal government to reduce lead further in gasoline, we have undertaken a study in conjunction with the Ministry of Health and the Ministry of Labour, because they are our health consultants, to monitor the blood lead levels of children in six communities, two urban, two suburban and two rural, in various parts of the province. We are doing some specialized monitoring of the ambient air to determine the cross-section of blood lead in school children across the province.

In addition, you are probably aware from reading the papers, etc., the city of Toronto and its board of health have been doing a special lead study in the south Riverdale community. Through all the lead hearings which occurred several years ago, the one thing you could correlate with children's blood lead levels was the amount of lead in the soil around those homes. Whenever the lead level in the soil got to be above 2,600 parts per million, then those backyards or frontyards, whatever was affected,

were dug up, taken away and new soils were applied.

That is the one correlation you can find out of all these data, ambient air data, emissions data, blood lead data and soils. You can correlate children's blood to the soils.

We have continued with that sampling around secondary lead smelters to determine whether the levels in the soil go above that level. We continue, through liaising with the Toronto board of health, to make sure that the children's blood lead levels are not rising above what are considered to be safe levels. This is a medical question which I am not going to venture into.

Mr. Chairman: Are there any further questions on acid rain or the air environment? If not, we shall move on to another topic?

Hon. Mr. Brandt: Mr. Chairman, I would like to ask Mr. Redgrave if he would not mind coming forward at this point. There were some questions raised in connection with the whole area of bottles and cans and the evolving policy of the ministry in this particular connection.

I do not know how quickly we can deal with this, but there are still a number of questions that I want to get at to clear the agenda so we can move to budget matters tomorrow. We have already provided the committee with a time for Dr. Chant to be here. It is anticipated that the Ontario Waste Management Corp. and Dr. Chant will take probably the total amount of time available in that session of two or two and a half hours.

Mr. Chairman: Tuesday evening of next week.

12 noon

Hon. Mr. Brandt: That is Tuesday evening. The opposition parties had asked that I provide them with information in advance of Dr. Chant being here so they could prepare for that meeting. We have now done so, and I believe that information was passed on earlier.

In connection with bottles and cans, Mr. Redgrave might wish to make some comment and then we can get into any questions the committee members may have.

Mr. Redgrave: Mr. Chairman, the issue that was raised was the possibility of a conciliation approach on the soft drink container issue and the possibility of arriving at a solution if we adopted that approach. The request was that we indicate what activities have been or might be taking place to bring all the groups to a solution.

As you are probably aware, the ministry has been going through extensive consultation with

all the parties concerned with the beverage container issue to arrive at some new regulations. The intent of those discussions has been to bring on to the table the positions and the interests of the parties concerned and to try to reach a solution which would have the maximum possible acceptability while meeting the criteria that were laid out in the original public document. We had about six criteria covering the interests of the government in this area.

We began the process back in the spring of 1982 with an interministerial committee. That effort was supplemented by a consumer survey, which was completed in September 1982, to try to arrive at some notion of what the public might accept.

In December 1982, we published a discussion paper which was sent to about 2,000 interested parties. From January to March of 1983 we had about 140 replies to the discussion paper. From that point on, we have had numerous meetings with steel companies, aluminum and glass companies, independent bottlers, various recycling groups and associations, soft drink franchise houses, can manufacturers, various environmental groups, trade associations and consumer groups.

Arising out of this process, we have put together a tentative set of regulatory proposals, which are now before cabinet.

I should say that weaving through the whole discussion has been the very difficult task of balancing environmental and economic considerations, regional considerations and, above all, the practicality of any solution.

I am sure members of the committee will appreciate that each group involved in trying to arrive at a solution with us in this very difficult juggling act has a particular view of the practicality of any solution. In addition, they have particular views of their own best economic interests and the interests of the environment.

Beyond that, I do not think I should say much more other than that we are continuing our discussions to try to refine and bring about the solutions and to bring about a set of proposals that will have a reasonable chance of success. There is nothing worse than launching a program which falls over soon after you have launched it because you have not had a proper set of discussions.

The issues are patently obvious; they are those of trying to open up a marketplace which at the current time is pretty well dominated by two types of economic producer. That is a very difficult undertaking because most people in the

business would like to have a share of the market, they would like to be guaranteed that there is some stability in the long run and in the transition and, of course, they all want quick solutions because they want to make their investment decisions. We fully understand that.

Hon. Mr. Brandt: I want to give the members of the committee every assurance that no one has had any difficulty in getting access to the ministry. Either myself or the deputy is now going through the exercise of meeting with all the groups and organizations that have indicated an interest in this. It is a somewhat frustrating exercise in that the last deputy went through it as well, you may recall. All the major players in this whole issue want to have an opportunity to bring forward the interests that were so capably described by Mr. Redgrave in his opening remarks.

There are those economic interests and the environmental interests. I can only give the committee the assurance that the Ministry of the Environment's bottom line is that whatever we do must convey a very effective waste reduction dimension to the program. In other words, the whole recycling component has to be a substantial improvement over what we have now.

We are faced with a unique situation with bottles and cans in Ontario. I was not fully aware of this until I met over the course of the last two weeks with officials of the Quebec Ministry of the Environment.

As a result of consumer preferences in Ontario, we probably sell three to four times as many cans on a percentage basis as Quebec does. Interesting enough, they have been somewhat more environmentally aware of the value of the returnable bottle in Quebec and therefore have not depended so much on cans as a means of purchasing their soft drinks.

In Ontario, it may well be in part because the steel industry is located here and the canning industry, for all intents and purposes, is centred here that we have had a much higher proportion of our sales, now reaching well over 50 per cent, on the can side.

When we start talking about bringing in a program that is environmentally improved over what we have at the moment, I am sure it comes as no surprise to you when I say there are economic factors involved in that whole exercise. That is regardless of whether "environmentally improved" means a better method of recycling cans or other containers, whether they be plastic cans or even some types of glass, or moving more to the returnable bottle. The market

starts to shift very dramatically from one type of product to another.

Attempting to come to a balanced policy that will take into account the various competing interests mentioned by Mr. Redgrave is a matter fraught with minefields. I would be happy to answer any questions that I can; however, I cannot be specific about what we are proposing at this time because it is before cabinet.

Mr. Elston: Your deputy is going through a series of meetings at this point yet, as I understand it, your proposal is now in front of cabinet. Are you expecting refinements in that proposal after your deputy meets again? Is that what you anticipate?

Hon. Mr. Brandt: It is not etched in concrete to the extent that it cannot be revised or modified before it goes back to cabinet. There was a set of proposals before cabinet. Cabinet dealt with those proposals at the time, but there were instructions from cabinet with respect to further discussions that were to take place. The deputy will enjoy his present exercise immensely because it is extremely enlightening and most educational. I have gone through it and wish him well.

Mr. Elston: I see he is containing his enthusiasm.

Hon. Mr. Brandt: I noticed that. That is a particular ability this deputy has. His emotions are restrained under all circumstances. You will notice that even though he is excited about the prospect of being able to meet with all these various factions that are interested in this issue, he is containing his excitement. I think that is a good point.

Mr. Charlton: It will be interesting to note whether he has any lips left when the process is finished.

Hon. Mr. Brandt: In direct answer to your question, Mr. Elston, there could be some modifications. Although we have a policy and a format that has gone before cabinet in terms of the regulatory reform we have proposed as a result of our earlier study, there could still be some modifications to that policy.

Mr. Elston: If I recall rightly, last year we had anticipated something happening by the end of December 1983. At this point do you have any framework for a final decision? Is there a timetable established?

Again, because of the concern expressed to us by a number of the participants in this process, there were some decisions that should have been made last spring. Obviously those are being put

back and put back. What is your anticipated decision point now?

12:10 p.m.

Hon. Mr. Brandt: There is no specific time frame. There is a limited number of windows that we have to shoot through in terms of a time frame in order not to upset the marketing policies of the companies involved in this field of endeavour. They have a high point in the summer season and to a somewhat lesser extent they also have a high sales volume around the Christmas holidays, from December into January.

We are trying not to upset the industry by bringing in a policy that would be confusing and would complicate its already difficult situation, so we have to look at that and balance it off against when we can finalize the policy.

In all probability, it is our intent to phase certain aspects of the policy as well. That is about as much as I can tell you without being indiscreet about a matter that is before the cabinet, but I can tell you that it is not etched in concrete as to the final decision. We do not have a specific time frame. We are still trying to work towards the compromises that may still be out there in order to get agreements among the various groups.

The bottom line may well be that no matter what we do we will not get agreement. I do not believe you were here, but Mr. Charlton raised a similar question and I indicated to him that I thought it was going to be extremely difficult to get aluminum and steel, for example, ever to come to an agreement as to whether steel should continue to have a monopolistic position and whether aluminum should be allowed into the market.

That is a fundamental question and it has been before us for a long time. Mr. Redgrave referred to this point in his comments. Although he was being very restrained in his identification of what he was talking about, that is what he was talking about when he talked about geographical interests.

Obviously Hamilton, represented by some fine and capable members of the provincial parliament, would have some comments to make about any of the market being shifted away from steel and what impact that might have, not necessarily on the environment but on employment in that area. I would expect to hear from some of those members if we were to bring in a policy that did not reflect the specific and even perhaps—I say this charitably—parochial views of those members.

Mr. Elston: I also wonder whether at this point you are looking into rewriting the 1975

regulation, which is what you are doing anyway. I am thinking in terms of the percentage of refillables. You might not be able to be specific on that, but it is a question where practice has dictated the type of investment that an independent bottler would have to get into. I wonder if that is part of your phasing consideration, and the ability of people to generate the necessary materials to accommodate the container market.

Hon. Mr. Brandt: I think I can answer your question by saying that one of the interests that has been put forward, again without disclosing what our reaction is to that position, is the area, not only of aluminum containers for cans but new containers for the bottling industry that could conceivably—and I underline that word—include such things as the 1.5- or two-litre plastic or PET bottle, which is a container that has had tremendous marketing success in the United States. It is a container that can be recycled and is being used on the market in many jurisdictions at the moment.

That is a container that has been of specific interest to the small bottlers located throughout the province. I have had discussions with (Mr. Harris) the member for Nipissing about a situation in North Bay, for example. There were problems with local bottlers in that area and this is the type of container they would like to have included in our policies.

At the moment our policy restricts the inclusion of new containers. You cannot bring a new container into Ontario without the express approval of the Ministry of the Environment. That excludes the liquor or beer industry.

The rather rapid expansion from the stubby to the high-necked bottle, and the move towards aluminum cans in the beer industry was separate and apart from this ministry's responsibility or mandate. I do not necessarily want to comment on what we think about that policy, other than the reality that it was done separate and aside from our interests. It is the new container they are interested in, primarily the PET bottle.

Mr. Elston: I was going to get into the question of the use of aluminum by the brewery industry. Has your ministry been looking at the results that introduction has had, the volume that was developed by the use of those containers after they were empty? Is that part of your study as well?

Hon. Mr. Brandt: The steel can in the beer industry is not being recycled at the moment, as you are well aware, and the aluminum can falls into exactly the same category.

The beer industry, believe it or not, is a relatively small player in the overall scheme of things in terms of the volume of waste that is generated. It is about 0.5 per cent of the can industry, something in that order. So 0.5 per cent of the total market that we are looking at would lead one to believe that the big, serious problem is going to be with soft drink containers rather than with beer containers.

I do not know whether that answers your question or not, but it is a minor volume in the overall scheme of things. It is not insignificant, and we would like to find a recycling program in the way of waste reduction that will be applicable not only in the beer and the liquor industry, as we discussed in connection with wine and liquor bottles that are causing some of our northern members some problems, but also as it relates to the recycling of beer cans, either steel or aluminum.

Mr. Elston: I was thinking more particularly of following the trend in market preference that might have been indicated by the introduction of the aluminum beer can, for instance. I understood, at least in the initial phases, the aluminum can was very attractive to people who like to squish and crush and all that type of thing. I was wondering if you followed that to see whether that market preference initially indicated held up or what sort of information you might have had from that.

Hon. Mr. Brandt: I do not have a great deal of information on that other than that I can tell you a lot of people come to me with what they perceive to be an aluminum can and it happens to be the latest technology, which is thin plate steel. The steel industry is moving very rapidly to meet the competition and, I might add, doing a pretty good job of it in some respects.

The biggest problem, however, is the marketing preference of the producers and the retailers themselves. As an example, when you go into a food market in Ontario, it is not unusual to see a couple of things happening. One is newspaper ads that the major chains run virtually every day advertising cans as a loss leader as part of their marketing concept, in much the same way as they will use bread or butter or milk on occasion, or other items that are used as loss leaders in the retail industry.

The second thing you will find is that they will show a preference for the sale of cans—which has, in part, led to the very high percentage of retail sales of cans in this province—by using them, first of all, as a loss leader, but also by placing them in very prominent positions as you

walk out of the store. You will see islands of these things being marketed at \$4.99 and prices of that type when, in fact, the retail value of that package is considerably higher than that.

You do not see that phenomenon in Quebec. Just as an interesting aside, in Quebec they will do the same type of marketing but they will do it with a returnable bottle.

It is a consumer preference thing but it is also a marketing tool in much the same way as the beer companies use the long-necked bottle such as the Labatt's Classic bottle as a marketing tool. Even though the content of the product has not changed one bit, they have found that the consumer, because he likes something different or for a change or for whatever reason, has been purchasing a container rather than a product.

It is a very complicated matter; it is not an easy one to solve.

Mr. Elston: I understand a good number of those cans that are used as loss leaders may have been filled in Quebec. At least this was an indication that came to me, that the less expensive brand name varieties which we recognize as being on sale at some of the chain stores are generated in an area where they do not have to make up a percentage distribution for returnables and nonreturnables.

Is consideration being given to dealing with that problem which the bottlers, for instance, in this jurisdiction have to deal with in the number of cans they can generate in relation to the number of returnables they fill?

12:20 p.m.

Hon. Mr. Brandt: We were policing that very actively about a year or a year and a half ago and we have perhaps not been quite as ambitious in that respect, partially because I have asked the staff not to be overly zealous with the small variety store, what I guess is commonly referred to as the mama-papa kind of operation. The square footage in such stores is extremely difficult in allowing the retailer to have an adequate balance of returnables versus non-returnable containers. We also recognize that the policy is evolving rather slowly and is causing some problems in the marketing of these products out there on the street where it has to be done.

For your information, the Pepsi-Coke combination contributes about 65 per cent of the total volume of sales of soft drinks in Ontario. Following that, you have Canada Dry and a whole series of products under that, which is another big factor. The off-brands are really very insignificant in terms of the total volume of sales.

Pepsi, Coke and Canada Dry, most of the leading brands so to speak, are canned here in Ontario. The off-brands you are talking about, if they are brought in, are brought in in relatively small numbers. Would you agree with that, and are my figures relatively close? The staff, for purposes of Hansard, are nodding their heads vigorously and saying yes.

We have entered into unique and interesting agreements on containers with distribution outlets like Becker. They have tied in a program with their milk jug, which is a plastic milk jug, indicating that in their marketing, through a specific agreement with this ministry, that they will recycle that jug. It will be used only once and the plastic, once it is recycled out of that jug, will be used for such things as garden hose or other types of containers that will not be used for purposes of human consumption in the future.

Where an ambitious retail organization comes forward and proposes something like that, we are prepared to look sympathetically at what they would like to propose to us as a new container, but we are fairly selective and we are trying to control it rigidly until we get a better policy that will cover things like that.

Mr. Charlton: On the policy you have before cabinet, which is not etched in stone and which may get refined a little bit as the process continues, is it a reasonable assumption that, as a result of recent events, the present cabinet will not be in the position to approve or reject, that likely we are not going to have a decision from cabinet until after the leadership convention and after the new cabinet is appointed by the new Premier and possibly also after the next election?

Hon. Mr. Brandt: You give me cause for a lot of sleepless nights when you mention those things. I do not know what I have ever done to you to cause you to do so. In the latter part of the morning with about five minutes to go you have taken the careers of a whole number of people and put them on the line here.

There is the possibility of some delay. I do not mind admitting to that. I would like to see the policy—

Mr. Stokes: You have to be much more positive than that. On my way to committee, I was stopped by one of the aspirants who said, "I would appreciate anything you could do with your Tory friends in the north." You have to be much more positive than that.

Hon. Mr. Brandt: When are you going to talk to him?

Mr. Stokes: I have already talked to him.

Hon. Mr. Brandt: No, I mean your Tory friend in the north.

Mr. Stokes: I am leaving at 2:30 on Friday afternoon.

Hon. Mr. Brandt: Mr. Charlton, I want to be very direct with you on your question. I am going to try to get this policy through as quickly as possible. I recognize there could be delays that are beyond the control of either this minister or this ministry. I cannot answer for those and I cannot anticipate what they might be, although you have outlined some possibilities.

I can only tell you we will try to bring in this policy and I am committed to bringing it in as quickly as I can. I have been trying to do it for some time but it is a very complicated policy. If there are specific industries that are affected that want to move unilaterally on solving their own specific problems, they can look at the Becker's formula as an interim mechanism for finding the solution until we come up with a more global policy that will fit all circumstances.

We think the Becker's matter—it is still being reviewed and we are looking at it continually and monitoring it on a regular basis—is working relatively well at the moment. As a matter of fact, their advertising does include the words "protecting our environment" as part of the package, so people become aware of the fact that recycling is part of today's society. I have answered you as directly as I can.

Mr. Charlton: Now all we have to do is get all the bleach and soap companies to do the same thing.

Hon. Mr. Brandt: We only have a couple of minutes, Mr. Chairman. I do not know whether we have covered this issue as thoroughly as you would like but we can move on to something else in the one or two minutes that are left, if you like.

Mr. Chairman: Are there any other questions on the container situation?

Hon. Mr. Brandt: With respect to a quick matter, I do not know if Mr. Mulvaney is still here. I saw him here a minute ago.

There were some questions in regard to the environmental symposium. This subject was raised by Mr. Charlton and he asked how the likely results of that symposium will be reflected in policy. Perhaps he would like to expand on his question and either myself or the deputy or a member of staff can answer that in the short time that is available to us.

Do you remember asking the question?

Mr. Charlton: Yes, I am just not sure whether we can deal with the expansion of it in two minutes.

Hon. Mr. Brandt: All right, if you want to get in anything else right now, so we will adjourn adjourn now, it is up to you. until 8 o'clock tomorrow night.

Mr. Chairman: There is no point in trying to The committee adjourned at 12:27 p.m.

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Estimates, Ministry of the Environment



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, October 18, 1984

The committee met at 8:02 p.m. in room 228.

ESTIMATES, MINISTRY OF THE ENVIRONMENT (continued)

Mr. Chairman: Members of the committee, I do see a quorum and we shall proceed with our evening's activities. I believe we are about ready to start on our votes, are we not?

Hon. Mr. Brandt: No, we are not.

Mr. Chairman: Okay, we are not, fine.

Hon. Mr. Brandt: With the concurrence of the committee and, more specifically, the critics of the two opposition parties, I was going to continue with the response to the questions that were raised in the opening statements by both the Liberal Party and the New Democratic Party. We have not as yet covered a series of questions that we were going to review.

The agenda for the balance of the estimates has already been made known to Mr. Elston and Mr. Charlton. That includes the Ontario Waste Management Corp., and Dr. Chant will be here on Tuesday.

It was my intention tonight to proceed with the discussion of the beaches. Depending on the number of questions we have in connection with that problem, we will then proceed to get into some of the budget numbers, if possible.

At this time I would like to call forward the staff who are going to deal with the beaches item. For the purposes of Hansard, we have the assistant deputy minister, Mr. David Redgrave, who has appeared before the committee previously, Mr. Jim Bishop, who is with the water resources branch, and Dennis Caplice, assistant deputy minister.

Gentlemen, I believe you have the questions that were raised by the critics in their opening statements. You could perhaps now proceed to respond to those questions and to the beaches issue.

Mr. Redgrave: Mr. Chairman, I would like to start with a very brief background explanation of how the beaches issue fits into the Toronto area watershed management study. It was that study which uncovered the problems we have been dealing with for the last 18 months or so.

We look on the Toronto area watershed management study, the TAWM study, as an evolutionary step in watershed management. In the first step of watershed management, one usually encounters flood control and water supply management as the top priorities. The setting up of the various conservation areas in the Toronto area was one example of that.

In the second step, one usually finds broader water quality strategies to prevent what one might call the cruder forms of contamination, prevention of the dumping of raw sewage into water and so on. As a strategy develops over time, one finds there is a need gradually to tighten up the standards, to improve on the quality management strategies and to expand the scope to include toxic substances in the strategy for controlling watersheds.

The TAWM study was conceived as part of this latter stage strategy. It was conceived as an aid to municipalities and the conservation areas in determining the best uses of water and the measures to achieve improved water quality.

In putting this in some kind of perspective worldwide, most, in fact all, of the urban watersheds of the heavily populated areas in the world are heavily polluted. Much of that pollution, when one finds it in sediment, is historical and is buried in sediment and soils. It is a legacy of considerable concern and usually very expensive to clean up. It is essential, therefore, to determine not only what has happened historically but the degree to which it is happening in a contemporary context and to focus the effort of cleanup and improvement in the most cost-effective way.

8:10 p.m.

This is the aim of the TAWM exercise. It is a co-operative exercise that stretches over several years. It involves many agencies and is designed to approach the subject systematically, carefully and slowly; and to produce, as I have said, the most cost-effective solutions.

If you like, you can view these studies as a prelude to a new generation of policies and programs that could emerge in watershed control and watershed management in high-density urban areas. Members will be aware of attempts around the world to clean up watersheds in the densely populated areas of the world. There are

the much-quoted activities in London, England. In Paris, I understand there is now an attempt to set aside a fairly large amount of money to clean up the Seine. The Rhine stands as an example of an unachieved set of targets.

Mr. Stokes: You do appreciate that is all after the fact, rather than before the fact.

Mr. Redgrave: I am sorry, I do not understand.

Mr. Stokes: You are reacting to a situation rather than trying to correct it before it starts both in the case of the Thames and the Rhine.

Mr. Redgrave: Yes, that is right. One is reacting to it when one is reacting to a very long history of deposition. I would like to point out that even in the most pristine of the Muskoka lakes, one can examine the archaeology of sediment and go back to the late 19th century and discover rates of deposition of heavy metals. One can track the development of industrial society by looking at those sediments.

Mr. Stokes: That does not apply in the beaches area as it would in some area where there is a latent and potential chemical.

Mr. Redgrave: The beaches area can be viewed as a number of problems. One of them is the microbiological problem, which is a continuous ongoing problem. Then there is the deposition problem, which is one of history. We ran into that in the western beaches where there were sediments that were difficult to move because of what was in them. I agree, we are reacting to a problem that is historical. We are reacting to a problem in trying to clean up an ongoing problem.

Mr. Stokes: As a result of human intervention rather than something that was a geological phenomenon.

Mr. Redgrave: This is not a geological phenomenon. Human activity has caused this.

Mr. Stokes: That is right.

Mr. Redgrave: If you look at the rates of deposition, for example, of lead in the sediments of the lakes in central Ontario, you can, almost to the decade, see when the automobile came into being. You can see the track take off.

With this study, we are trying to provide the foundations for a generation of policies dealing with urban runoff and the problem of controlling what one might call everyday runoff of pollutants into the watershed areas. When we started the study, we focused on toxics, chemicals, organics and heavy metals. The recent finding and focus

has been on the bacteriological contamination. The effort has been in that area.

We do not think we should give up the search for the solutions to the problems of organics. We happen to have had a greater public focus on the bacteriological problem, but our underlying target is a total strategy to get an optimum use of the water and an optimum strategy for controlling pollution flows into the area. It is in that context that the beaches issue arose.

I would like to ask Dennis Caplice to explain how we set about developing very specific programs to deal with the specific problem of bacteriological contamination.

Mr. Elston: Before we leave that, you mentioned your study is really developing what you determine to be a cost-effective solution, which is obviously not what you would like to see in terms of the ideal world. Do you have a handle on what that cost-effective solution might be at this point?

Mr. Redgrave: No, I am not sure.

Mr. Elston: So you are really not sure, for instance, that the extension of the outfalls into the deeper water is—

Mr. Chairman: Excuse me, Mr. Elston, could you move towards the mike?

Mr. Elston: You are not really sure that the extension of the outfall into the deeper water is cost-effective, even though it may be some immediate solution, I presume, and provide some immediate amelioration to the problem. Is that what I am gathering?

Mr. Redgrave: I am not too sure of that. I think every solution leads to other problems sometimes. That is one of the things that might happen. I think the engineering staff dealing with that problem can give you a better answer to that question.

Mr. Elston: It is the same thing with the wall that will direct the flow of the Humber further away from the western beaches area.

Mr. Redgrave: That seems to us to be the most cost-effective solution at this time.

Mr. Elston: At this point it is at least the most immediate.

Mr. Redgrave: It is the most immediate and most effective that could be found by the engineers working on that. There were more expensive solutions, but they obviously could not be pursued.

Mr. Caplice: Mr. Chairman, I would like to comment briefly on the point raised by Mr. Elston. It is true we have not come up with the

most cost-effective solution. Certainly those measures implemented this summer on the Toronto waterfront, including the diking thing at the mouth of the Humber. The diking effort was deemed to be short-term and perhaps was going to be something that would give us an immediate response in the way of the bacterial counts on the western beaches.

There are efforts in other jurisdictions and we are looking at them—things such as storage and control, combined sewer overflows at the point where they overflow. You mentioned the extension to deep water of some of the outfalls. There are projects in cities such as Chicago where they looked seriously at upstream storage in the sewer system for some of the more highly combined sewer situations the city faces. It will be a mix of efforts in relation to the cost and engineering solutions that will have to be brought forward for municipalities to look at.

The straight separation is viewed by all as being a very costly program. Among the municipalities that make up Metropolitan Toronto the city of Toronto is the furthest embarked on it. There could well be other municipalities in Ontario that may have to look seriously at sewer separation. The prime motivating factor behind sewer separation in years gone by has been basement flooding. It has not been high bacterial counts in the rivers or lakes.

Now the emphasis has switched to sewer separation programs in relation not only to basement flooding but to the levels of contaminants carried in those sewers that affect the public waterways.

Mr. Elston: Have you any idea when you may be able to come up with the most cost-effective solution? Do you have a timetable for any of this? I am sort of interested in how long it is going to be before that results, since it is an immediate problem.

Mr. Bishop: The Toronto area watershed management strategy study is a five-year study at this point. We are hoping to have the results of the information we gathered on the first intensive engineering study, which was on the Humber River, assessed, modelled and commented on by the end of this fiscal year.

Depending on the results we get from the Humber River study, we will have some idea of some of the actions that could be taken in other river basins, such as the Don River. I think we are looking at about a five-year program.

Mr. Elston: Then we are dealing with implementation after that. Are we are looking at another decade?

Mr. Caplice: Oh, but there are steps now under way.

Mr. Elston: We have mentioned two already.
8:20 p.m.

Mr. Caplice: The storm sewer separation program in Metro Toronto has been going on in the various municipalities for a number of years. The effort will not just start, then, but it will pick up on what has been accomplished and then build on that.

I think it will vary from municipality to municipality, basin to basin across a province such as this. Where you have land that is not as highly developed as some of the urban areas that surround Metro you might be able to look at different solutions.

In the Ottawa area, some of the Rideau solutions have encompassed positions where, in the development that is coming to a particular area, the developer is responsible for some of the storm sewer ponds and other devices that are built in. This has been ongoing in the province for six, eight or 10 years now. Where land is available and reasonably cheap there have been efforts to look at storm sewer ponds that really are landscaped into the terrain and often are sold as a part of an attractive package in the sale of the homes that surround those things.

I do not think it is just a square-one start five years from now. There have been efforts by a lot of municipal jurisdictions to get at this problem over the last five or 10 years.

Mr. Elston: If I am interrupting the progress of your report, let me know and I will wait until later.

Mr. Caplice: No.

Mr. Elston: I am interested in what will be determined under this report. You are going to have some kind of equation set up, I presume, for the type of process to be put in place to effect the most cost-effective solution for the Humber.

Am I to understand that what is cost effective for the Humber may not be cost-effective for the Don and may not be cost-effective for some river in Ottawa? Am I to understand there may be different equations, depending on volume of people, development and otherwise?

Mr. Bishop: Certainly that is the case. It will depend to some extent on how old the municipality is. That is a factor because engineering practices change from one period of time to another. Such things as terrain, geographic location and the age of the municipality would be key factors. You cannot relate everything to the Humber River study.

Mr. Elston: Are we looking at differences in the quality of the water that will be going through each of these basins, so the quality that you may be able to attain in the Humber will be different from the Don, and will be different from somebody who may live on a river in Ottawa?

Mr. Bishop: Yes, you are looking at those kinds of differences.

Mr. Elston: I guess it becomes a question of how you determine what level you are shooting at in water quality in all of these rivers. Is there going to be a substantial difference?

I hear that we are going to have a number of different criteria to determine exactly what is acceptable in each area. I am wondering if that is appropriate in a mandate to determine what is suitable for water quality being discharged into our environment.

Mr. Redgrave: What you are getting now is the exploration of the boundaries of feasibility. We are moving into new kinds of research. As Mr. Caplice has pointed out, some of these things are in place already. We have sewer-use control bylaws and so on. It is a question of constantly re-examining those in the light of the discovery and the research into what is flowing into the systems and trying to work out from that evidence the feasible solutions to a particular problem.

You are right. To a large degree a lot of these will be tailor-made solutions. What that says is that to achieve a uniform quality of water, you will get different prices and different kinds of solutions. We are trying to develop the instrumentation to achieve the water quality.

In many cases, and this is true all around the world, what comes out of an urban system into the waterways is a complete puzzle: where it comes from, how much there is and how you can check it. We are starting, if you like, at the pipe end and moving back into the system. The degree of knowledge we have about that process varies. We are simply building up an inventory of knowledge and an inventory of experimentation.

What is exciting about the Toronto area watershed management strategy is that it is a very large-scale effort to come to grips with the science, the engineering, the solutions and the policies and programs. It is by no means a finished exercise. We are at the beginning of a new generation of exercises, really.

Mr. Elston: In this study will you be looking at particular pollutants which you find, for instance, in Toronto and the urban centres as being pollutants which must be removed at all costs in terms of your study? Those parameters

may not have been set, but there are obviously going to be certain pollutants which we would find that ought not to be in the water at any cost, if you can gather what I am saying.

Mr. Bishop: To answer that fairly you have to hark back to what Mr. Redgrave said. This is more or less groundbreaking study work. It encompasses such a broad geographic area that one would reasonably expect, with geographical variations alone, one would be hard-pressed to pick out one, two or 10 parameters that are common to every watershed.

When you add to that the difference in population density and the divergence of industries that may be discharging into a river basin, I think you would be better off to try to develop overall, general engineering models rather than try to pin everything on one or two parameters that would be common to each basin.

Mr. Elston: I have interrupted the flow of the presentation. I apologize for that, but I was interested in how we are going to set up this optimum or cost-effective solution over the entire province. You should carry on, unless there are other questions.

Mr. Caplice: I will carry on. I will mention briefly that as a result of the summer of 1983, which was the summer that sparked concern in the Metro area, it was realized that Metropolitan Toronto was not the only area where beaches had been closed and/or affected by the activities of man, or whatever other activities might lead to high bacterial counts.

I wanted to mention to the committee that, as a result of the effort in 1983, we moved to an analysis during the fall of 1983. Then, with summer students who were brought on board in May of this year, we moved out and have concentrated on what we deemed to be the 60 priority beaches around the province, with particular emphasis on southern Ontario, the Lake Huron area, the St. Catharines area of Lake Ontario and with some of the effort in eastern Ontario.

We are now in the process of compiling the results of literally thousands of samples of bacterial pollution that were taken over the summer months. They were taken with the co-operation of and co-ordinated with the medical officers of health. During the summer we also kept track on a weekly basis of the various openings and closings of beaches as they occurred around the province.

We hope to be looking at it in a concentrated way, as we are with the Toronto area water management study. With this report, we also

hope to be able to pinpoint and draw to the attention of municipal officials, conservation authorities and others who will have to share in this program, some of the possible problems they are facing in their areas and some of the possible solutions.

We are looking at things like agricultural drainage being a factor. We are looking at urban storm-water drainage being a factor. We are looking at the effect of large populations of animals or birds that seem to concentrate in certain areas. We are looking at the straight combined sewer overflow factor.

We do not have an easy task in sorting this out. However, we think the effort we got going this summer and the continued monitoring will point us in some right directions.

The map behind us is the famous map of the Toronto Harbour Commission. It is a map that depicts, in a most interesting way, some of the developments that have occurred over the years on the Toronto waterfront. On my left-hand side it also projects the efforts they have been involved in over the years with the conservation authority on the famous spit on the eastern beaches of Toronto.

Looking at that map, one gets an excellent sense of the scale of that spit. I know Mr. Charlton mentioned that he walked it.

Mr. Charlton: I was on my bike.

8:30 p.m.

Mr. Caplice: I was on my bike, too. It is quite amazing as you ride out the length of the spit and realize that is where many of the foundations of the buildings that surrounded Toronto or formed part of downtown Toronto's core lie; that is the fill material.

There has been an ongoing effort over the years, and it is no secret that most of the waterfront is fill material. Of the waterfront people ask, "What was the shape of it back in 1902 or 1903?" I think even Mr. Redgrave has the odd picture of that. Filling has been going on down there for years and years; it is not just in the last few years that people have started to deposit material in the lake.

So in closing, I was really just trying to highlight to you the fact that we have not only focused our attention on this problem of combined sewer overflows and other things in the Toronto area, we have also looked at other areas in the province. We are trying to share the responsibility for cleanup, and perhaps the minister might want to address that. The dollars are large, and we hope to be of some assistance where the problem is obvious. But we cannot

carry the whole burden for the cleanup; municipalities and others are going to have to share in it.

Hon. Mr. Brandt: Just to add to that, if I might, there was a release from my office within the last seven days indicating that the ministry and the government had contributed another \$3.4 million to the beach cleanup, which will be used specifically for some separation programs, additional sewer work and that kind of thing through Metro Toronto. That was in addition to our earlier contribution.

The amount of money we contribute does, I think, play a very significant role in triggering a substantial amount of municipal investment as well. It is not only the city of Toronto or the area that is in close proximity to the beaches that has to be addressed, as you know; the areas further upstream in some of the other municipalities that discharge into either the Humber or the Don rivers are all contributing factors to the problem we have with both high bacteria or faecal coliform counts.

I might add that we have had a very substantial improvement, on which the staff can give you the statistics, with respect to not only beach openings but also the quality of the water at the Toronto waterfront this year as compared to a year ago. This is in part attributable to the fact that we have built the Humber diversion, which cost about \$150,000; but I would say that we also had the good fortune not to have had a season that was even remotely close to last year's with respect to the high temperatures we experienced.

A year ago we were going through a period when we were at about a 30-year high in the heat wave we were experiencing, and that was a contributing factor acting, as it does, as an incubator for some of the bacteria growth that occurs on the shoreline. That complicated our efforts.

There is no question that we had a series of beach closings that concerned us; part of it was man made, but part of it was strictly an environmental situation over which we had no control. This year it has been considerably better, and we certainly have not had nearly as many beach closings as we had the previous year.

Are there any questions on this that you want to proceed with now?

Mr. Charlton: I have a number of questions. How far along are we in the follow-up on the Humber study and the overall Metro watershed management question in identifying specific trouble spots and sources?

Mr. Bishop: Right now I would say we are about three quarters of the way along as far as the

Humber goes. This last year was the final year for our studies on the Humber River and they entail sampling surveys and the gathering of analytical results as well as several research projects that were let to places like the University of Toronto.

It will now take some months to assess that information and, on the basis of what we find with the experience of the Humber, we will try to apply that knowledge to minimize the costs of further studies of the Don and possibly of some of the other creeks and rivers that input into the basin.

Mr. Charlton: When will we have a list of major sources and trouble spots so we can begin to discuss applying the various technological solutions you have identified? In other words, looking at it realistically, when will we have information as to the extent of the problem at any specific location?

Mr. Bishop: The approach has been quite realistic so far in that the steps taken to use moneys allocated to Metro for specific beach clean-up did, as you have heard, result in significantly fewer beach closings this year than last year. So there have already been some very realistic undertakings.

As far as the more subtle aspects of the studies go, you understand that we are dealing with an immense population. You can just picture the sewer trunk lines and various storm sewers that service the population represented at the top end of the map—we are only looking at the bottom end of the map.

You get into areas that involve studies up the pipe. To date, our ministry has concerned itself primarily with what came out of the pipe. We are now encouraging the various cities and boroughs in Metro to take on the responsibility of investigations and cleanup activities up the pipe.

It is very difficult to predict how long it might take to effect a complete solution. Some of these areas are very old. Generally increased pollution loadings are associated with older parts of the city. We are probably a year away from being able to totally assess the engineering data from the Humber study and applying these findings to more realistic conclusions concerning the Don and possibly other creeks.

Mr. Caplice: I asked Mr. George Mierzynski, the regional director of the central region, to join us, because I think we are getting into the detailed engineering side of it, rather than what I refer to as the science side.

George, you might try to bring the committee up to date on your perspective. Just do not differ with Mr. Bishop.

Mr. Bishop: He never would.

Mr. Mierzynski: I do not think there is a great deal of difference between the engineering and scientific viewpoints. Philosophically we are moving along the same stream. However, from an engineering perspective, we have a follow-up committee chaired by myself and people in my region who meet with the municipalities to resolve problems identified in the study.

On the Toronto area water management strategy study committee the Metro municipalities are represented, in addition to the medical officers of health and the Metropolitan Toronto and Region Conservation Authority. Thus we have a cross-pollination of ideas, as well as action.

Once we have identified that a pipe outlet is causing a problem, we dye test and the municipalities check connections in both sewers and individual homes. Problems have been identified and corrected in many cases. There have been problems, however, when municipal bylaws do not permit us to take corrective action as promptly as we would like.

Where cross connections exist, we have also followed pipes into the industrial areas. In the meat packing area, for example, certain practices which contributed to bacteriological problems were identified and corrected.

8:40 p.m.

Mr. Charlton: May I stop you for a minute? You are basically telling me that although you are asking the municipalities to do the follow-up up the pipe, so to speak, they are getting expertise and assistance from the ministry in that undertaking.

Mr. Mierzynski: Precisely, including some of the other partners in the steering committee, such as the conservation authority. The municipalities do most of the follow-up work. We have identified what is required. We have also assisted in the methodology they should follow to identify the problems and correct them because we have had experience in corrective approaches in other areas.

This work is ongoing and implementation is now taking place in some of the areas questioned by you or Mr. Elston earlier. That is an ongoing effort.

Hon. Mr. Brandt: We have something like 60 outlets in the area of the Humber about which we are talking, and we have to look at dry and wet weather flows. Different conditions occur on a seasonal basis. This study has been made over a number of years. The question that comes to my

mind, from my perspective as the minister, is, is there a way to speed this up and get moving somewhat more quickly on some of the solutions to the problems we identify?

Frankly, there is very little way in which we can do that because we have not only the 600 outlets I am talking about, but also the seasonal aspect of those outlets. For example, contamination in a particular discharge pipe might show up at a high flow, but not at a low flow, because it is coming from a different source. So we must have year-round monitoring and sampling in order really to come to grips with it.

But the real detective work starts after contamination of a particular pipe has been identified because that pipe must be followed out into the community. As George or Jim mentioned, we are serving an immense population, in many instances in a very old part of the community. We found that something like two per cent of the inner-city pipes investigated were cross-connected. They were simply installed wrong right from the very beginning. We found one apartment building—I forget how many units; George, you might remember.

Mr. Mierzynski: I think about 100 units, if I am not mistaken.

Hon. Mr. Brandt: That is the size of a small village. There were 100 apartments, and the pipe was improperly connected and therefore was discharging directly into a storm sewer. No one knew about that, other than we knew there was contamination coming out of that particular pipe.

After the fact it is easy to figure out what the problem is. But when you are trying to do the detective work, as staff commented earlier, you have to follow up with dye testing and smoke testing and other means to try to figure out where the culprit is. It is a very difficult problem to solve.

Mr. Charlton: Part of it sounds to me as if what we need is installation supervisors with each of the construction companies. You know, the green side up.

Hon. Mr. Brandt: You are not that far off. You must remember that when some of these pipes were installed they were perhaps not quite at the level of sophistication we have today. Failing to understand the difference between sewers, a sanitary or a storm, may have been a very honest error. They simply connected to the wrong pipe and did not necessarily do it intentionally. The problem is, there is absolutely no treatment and full-force contamination is going down the pipe as a result.

Mr. Bishop: In response to Mr. Charlton's statement, I should point out that they do have someone who does just what you were talking about. They have a building inspector and a plumbing inspector. Even with true professionals on the job it still happens. In 1.5 to two per cent of the cases even the experts cannot make the right connection. They connect it to the wrong pipe. It is a very tricky engineering job in the old part of the city.

Mr. Redgrave: I should add that there is one other area which still baffles us completely—we have discussed it quite often—and that is the degree to which bacterial infection of the water is caused by animals and birds. We have now instituted some studies with the University of Toronto and I think somebody from Toronto General Hospital to try to get an improved method of mapping the kinds of bacteria in the water and whether they have come from animals, birds or humans.

That is not a science which has been advanced very far, and it would help us considerably if we can push along that route. They have promised—and we will have to wait to see whether the promise can be delivered—that they can actually identify specific populations of birds and animals. That will be even better because we will know what proportion of the problem is caused by animals.

We have some evidence, which is not based upon a very sophisticated science, that quite a reasonable proportion—something less than 50 per cent but perhaps up to 20 per cent—might be caused by animals in a normal setting. If you get dense concentrations of birds, you might get a significantly higher problem. We really do not yet have the science to be able to grapple with that. We are pushing it along. It may take another year to get that under control.

Mr. Charlton: I have a couple of questions. I am not sure whether you are the right people to answer, but I will throw them out anyway. If you are not, you can just say so and we will pick it up again later. I just thought I would ask them while the map is out.

It is obvious they are in the process of developing a fairly major recreation area out there on the spit, including what looks to be a fairly extensive marina. Is that correct?

Mr. Caplice: I have been out on the spit. I cannot speak as one who is intimately knowledgeable of the planning, but there is a marina out there now which does not really have very much in the way of a clubhouse arrangement.

Mr. Charlton: No.

Mr. Caplice: There was a proposal announced several months ago for somebody who is very interested in putting in a larger, more permanent marina.

Mr. Charlton: You are right. It looks as if they are using the inside of the spit area now as what I would refer to as a parking area, not a marina. There are no real facilities there at all. On the lake side there, it looks to me very much as if what they are preparing to have in place at some point is a fairly extensive marina.

I think back to discussions we had a few years ago about the contamination that was in that fill—we had discussions about whether it was getting out into the lake or not—and it raises some concerns in my mind about large numbers of people using that spit in the future. Is there anybody who is on top of that question and what potential dangers there might be in terms of that kind of use of the spit?

Mr. Caplice: I will try to elaborate a little bit on that. You really are addressing the arguments that rage about the whole future of the spit. There are many different groups coveting various uses of that spit. I think it is the position of the Metropolitan Toronto and Region Conservation Authority, which may ultimately be the agency to manage it, and/or Metropolitan Toronto, if it happens to be the agency, that what we are into is the preliminary discussion of what they call the secondary plan for the spit.

What should it be? There are people who are concerned it is going to be an airport. There are people who love birds who say it should be a continuing bird sanctuary for that heron gull colony. There are others who would like to see a mixed set of uses out there, including recreational boating, marinas and that type of thing. The debate rages on and there are many views about it.

When the secondary plan is finally framed up—and it has to go through the normal planning procedures—the things you have raised concerning what constitutes the spit and what it is capable of supporting without harming the health of people or structures or whatever they might be will have to be gone into in great detail.

Mr. Charlton: Presumably, any proposal that is finally agreed to and subsequently proposed would be subject to environmental assessment.
8:50 p.m.

Mr. Caplice: It could be caught in the Environmental Assessment Act. If the Metropolitan Toronto and Region Conservation

Authority is ultimately deemed to be the proponent of what is known as the master secondary plan and it is significant in its dollar value, which it will have to be for that piece of land, it will be caught more in the planning process, in the debate that goes on now. You know the committee is having meetings and taking input from various people.

It could very well be subject to the Environmental Assessment Act, which would bring out the pros and cons and the arguments vis-à-vis what the use should be. As you will appreciate, and you have been out there, it is a very big piece of land.

Hon. Mr. Brandt: I might add, relative to the question raised by Mr. Charlton, members of my staff have indicated their concerns to me about some of the same things you are bringing up, recognizing that the spit was originally put in without an environmental assessment. It was done as a federal undertaking and was therefore exempt.

Mr. Caplice is pointing out the sewer outlet immediately to the east of the spit. One of the problems we have identified, in addition to the contamination of the soil that you are talking about, is that the sewer outlet is nowhere near a sufficient length now to avoid being impacted very directly by the breakup of currents caused by the development of the spit. An artificial situation has now formed in that lake which causes some of the discharge from that sewer to eddy back and contaminate the beaches.

Metro Toronto has now been talking about an extension of that sewer outlet, which would bring it almost to the end of the spit. That would then allow for the discharge to take place and the dissolution of the effluent to move further out into the lake where Mother Nature could take care of it.

Mr. Stokes: It is like building a higher stack.

Hon. Mr. Brandt: No. I have heard that example before and I do not buy that completely. With a higher stack, you are simply dissipating the discharge over a wider area. Here you actually are getting a certain flushing—

Mr. Stokes: That is what you are doing. You are diluting the pollution.

Hon. Mr. Brandt: You are diluting it, but you also recognize that the types of discharge from that kind of an outlet are discharged into a natural water body. Given a sufficient amount of flow of water, after it is even a few short miles—not even that far—from the point of discharge, the water is right back to its level of quality again. It is not a

permanent kind of thing. You have to discharge somewhere.

Mr. Caplice: There is a treatment plant for it at the front end—

Hon. Mr. Brandt: Yes, I am not suggesting there is not a treatment plant.

Mr. Caplice: It is not raw sewage.

Hon. Mr. Brandt: It is at heavy storm sewer time.

Mr. Caplice: A lot of those overflow at a point back in here.

Hon. Mr. Brandt: Yes. Mr. Bishop wanted to add something.

Mr. Bishop: I was simply going to amplify what Mr. Caplice was pointing out. It is not quite analogous to a higher stack. A higher stack might have primary treatment. This plant has primary and secondary treatment. So what is being discharged is far from a raw untreated product.

Mr. Charlton: Except in exceptional circumstances.

Mr. Bishop: Yes, but as we have been pointing out, we have been undertaking studies to try to ameliorate that problem as well. It is now considerably less than it was two years ago.

Mr. Stokes: But it does foul up the beaches if the conditions are right.

Mr. Bishop: There is not any good evidence that it fouls up—

Mr. Caplice: The eastern beaches were pretty well free. I believe there is a beach on the spit out here which is used by some people. Interestingly enough, it was not closed at all during the year.

The Kew Beach area in Toronto has been an area where people have recreated and swum for the better part of 50 to 55 years. For many years, there has been a sewage treatment plant at Ashbridges Bay serving, first, the city of Toronto and now, more latterly, Metropolitan Toronto has taken it over. Even though those two uses, which are diametrically opposed to each other, take place right beside one another, there has not been a long history of beach closures or problems down there. There is a lot of water out there.

Hon. Mr. Brandt: But in a perfect world, one would not build that spit immediately adjacent to that sewer outlet. I think Mr. Stokes's point is well taken. At a time of heavy flows, when there is a very heavy rainfall, you are bound to get some discharge of less than adequately treated sewage. There is no system yet in the world—other than in Chicago, I believe, where they have some underground containment systems—in an

urban treatment situation such as we have here that can handle that sort of flow.

As you well know, in Montreal it goes directly into the St. Lawrence River every day without treatment.

Mr. Stokes: How well I know.

Hon. Mr. Brandt: And also in Detroit, Cleveland and most other large communities. We are so far advanced over what they have that we are already talking about the next state of the art, the next step we are moving to. The point is, it is less than adequate. I cannot argue that. It is not 100 per cent yet.

Mr. Caplice: I think it is fair also to point out the studies Metro has undertaken this summer. The boats have been out looking at the feasibility of extending that pipe. They are probably looking at bringing that pipe well out to this point and tying it into the spit. You are looking at between \$30 million and \$40 million, maybe even more than that.

Interestingly enough, it looks like a pumping job because there is not enough head on the land back in. It drives it out now because it is in relatively shallow water and it does not go out as far as it is projected to go. It could very well end up being not only an extended pipe out to deeper water, but it could also be a continuous 24-hour-a-day pumping job to get it out there.

Metropolitan Toronto elected officials and engineering officials are looking at a very large bill, if and when they move on that. To the other side of the map, you see the Humber plant marked in as well—the orange slice over there. It probably is not out far enough either. Those who have sat on municipal councils and look at those kinds of dollars know they are big.

Mr. Mierzynski: Mr. Chairman, perhaps just picking up on Mr. Caplice's point and in answer to Mr. Elston's question, I might be able to put into perspective the issue and problem associated with extending storm sewer outfalls.

The same problem occurs if you extend them. You do not have sufficient head to drive the storm water out. That is one of the technical and engineering problems associated with simply extending storm sewers, as an example, to answer your question.

Mr. Charlton: Perhaps while we are on the subject of the beaches, we can get outside of Metro for a few minutes and talk about some of the other beach problems we had in the summer of 1983. We had some beach closings in Hamilton, on the Lake Ontario side, since we do not have any beaches left on the harbour. We

have had discussions about Hamilton harbour for a number of years.

On the one hand, we have said repeatedly on a number of occasions that the contamination in the harbour is not getting out into the lake to any great extent. On the other hand, although the sewage system in Hamilton discharges into the harbour, not into the lake, we have ended up with bacterial problems on the lake side. Have we identified the sources of those problems and what kind of situation are we looking at there?

Mr. Bishop: Once again it is very difficult to identify specific sources for as diffuse an area as outside of Hamilton harbour. Studies are under way to try to do just that and, based on the findings of those studies, to try to find some corrective action.

To date, that entire situation is a very complex one, given the condition of most of the inner part of Hamilton harbour and given part of the condition immediately outside the break in the harbour. You would be hard pressed, without equivocation, actually to determine who was the culprit in the elevated levels.

In a way it is similar to what we are finding on Toronto beaches. You find coliform levels that are elevated, but it is hard to try to determine who was the culprit. As Mr. Redgrave was pointing out, there are numerous studies under way to try to delineate what species, what source and what time. It is a very complex problem.

Mr. Redgrave: We have not yet found any evidence, just to use Toronto harbour as a similar situation, that bacteriological material coming down the Don River is getting out of that harbour system. It may be so, but we do not know because we cannot accurately track it. It does not appear so if you map the incidence of the bacteria in the harbour leading from the Don past the breakwater.

Boris Boyko, director for the west central region, might have something to add to that.

9 p.m.

Mr. Boyko: With respect to the beach program in the west central region, the bacteriological results within the harbour have not indicated that it is unfit for swimming, but there is a bylaw prohibiting swimming in the harbour. Those results, coupled with the massive dilution that takes place, indicate that is probably not the cause of bacterial contamination on some of the Hamilton beaches. It is not likely to result from the harbour per se at all.

I would like to add a few words with respect to some of the beach studies in west central region. One of the more interesting ones was the

short-term closure of the Fort Erie beach, which received a fair amount of publicity both here and in the United States.

The beaches were closed for a couple of weeks. In the survey work that was done there it was found that there were no actual dry weather discharges to the stream. There were some wet weather discharges, but there were no obvious sources. The analytical results were a bit of an anomaly. As expected, a couple of weeks later the beaches reopened. It is not all cut and dried that there is an obvious source.

On the other hand, in the St. Catharines area there was again a direct connection of sanitary sewage to a storm sewer. Once identified, the city undertook remedial measures immediately. In some cases it is black and white. In others, there is no obvious answer. In the case of Hamilton, it is not related to the harbour.

Mr. Redgrave: It goes back to the importance we now attach to mapping microbiological populations. You can tag fish and birds, but you cannot tag a microbe. We have to find some other way of tracking them when they move and accumulate, and find out more about how they exist and subsist in sediment and what happens to them under different temperature conditions.

If you get the wrong answer and you make an engineering leap, you can get an awfully expensive program which does not produce a solution in the end. So our focus has been to try to get a good scientific foundation for the engineering work when it does occur.

Mr. Charlton: Perhaps we can jump over to the Lake Huron side, which is probably something Murray is also interested in. There were a number of beaches there—specifically one in the Grand Bend area—closed for the same basic reasons. What is happening there?

Mr. Caplice: Again this summer there was a considerable effort in the Huron county area looking at those beaches. I think the anomaly Mr. Boyko spoke of is apparent there. Some of the municipalities really have seasonal discharge. They actually have lagoons.

There is no period of discharge during some of the warm summer months into those creeks, which are not very large anyway, that would give rise to the kind of bacterial counts that we encountered there, particularly in 1983. We had a much better summer with regard to those beaches in 1984. I am not sure whether any of them were closed this summer.

Hon. Mr. Brandt: No closings?

Mr. Caplice: No closings this summer. In 1983, when we got hit along with Metro and

others, we were scrambling. There is a high agricultural factor down there that could be coming into play. I really do not know. It just defies explanation when you recognize that the municipalities in that area are not large to begin with, and a lot of them have total confinement of the sewage because they are on seasonal discharge lagoons. Yet in the summer months of 1983, in those hot weeks of July and August, there were some beach closures, as you said.

Mr. Charlton: One of the things that pops into the layman's mind when you look at an area like Grand Bend, for example, is the high density of cottages, most of which are likely to be operating on septic systems, as opposed to sewers. Is there any chance that this was the source of the problems we saw in the summer of 1983?

Mr. Caplice: There is some potential, but then when one rents one of those cottages or visits a friend there, one finds it is probably one of the most sandy and ideal types of areas for septic tank installations. If the septic tanks have been put in properly and the seepaway beds have been installed properly, the protection for the lake should be there.

Many of the cottages are up on the high ground too, as you recognize; they are not down on the beach. There seems to be an ample beach front even after you come down off the high ground.

It has not been, to the best of my knowledge, the feeling of our staff in the field that the cottagers are the source of that problem. The minister has lived there. I do not think the cottagers are the source.

Hon. Mr. Brandt: I am personally working most of the time, so I do not have the opportunity to enjoy the beaches. I am out looking at environmental problems and trying to stay a step ahead of the critics.

The general consensus in the area is that it is probably agricultural runoff. If you fly over that area, you can see the sediment coming down the various creeks that drain to the beach area and into Lake Huron. It is quite obvious, through the discoloration of the water, that there is some kind of contamination contained in some of the outlets there.

I would urge the agricultural community to undertake better housekeeping, recognizing that on average about 20 per cent or so of beach closings in all of the province are directly attributable to agricultural drainage of one sort or another. Leachate will occur in the creeks and ultimately in the beach area.

I would say it is agricultural, from what I know of the geography in that area. It is animals as well. One of the amazing statistics, when you take a look at animal population with something in the order of 100,000 beef cattle in Lambton county, is that one head of beef cattle is the equivalent of seven human beings. So you have to—

Mr. Wildman: I have always thought that myself.

Hon. Mr. Brandt: I am talking in terms of other outlets. That being the case, you have an equivalent population of about 700,000 people who do not use either septic tanks or other facilities; and 700,000 people, if you will, or that level of population, can contaminate a beach area pretty quickly.

Mr. Stokes: Did you ever think of putting napkins on them?

Mr. Elston: I have a question concerning a water quality problem in my riding. The ministry has undertaken to direct the town of Port Elgin to make some changes to its equipment to deal with the phosphorus discharges occurring there through a system that was designed and approved by the ministry in about 1968.

The question then becomes how you pay for those sorts of programs where you are isolating a particular problem and trying to bring an area into compliance with international agreements.

Are you still finding some funding available through federal sources for those sorts of endeavours, or is there an undertaking through the ministry here to assist municipalities in dealing with those problems?

Hon. Mr. Brandt: The federal-provincial program was funded at a level of about \$65 million over three years. That program terminates this year, 1984. I believe the question was raised by someone in his opening statement—I am not too sure which of the critics—and this was relative to what we plan on doing with that program.

I can only tell you the program is coming to an end. The federal government, however, has agreed to accept claims on the program until February 1985. That is due to some municipal construction delays that occurred and because all of the original \$65 million was not used.

There is still just short of \$7 million left in the fund from the three-year \$65 million total; \$6.8 million is what remains.

9:10 p.m.

In answer to a question raised earlier—and I think this will cover your point as well, Mr.

Elston—we intend to negotiate a renewal of the agreement with the new federal Minister of the Environment. We hope to expand that agreement over perhaps another two or three years, to enable us to undertake the kind of work you have identified as being necessary in Port Elgin. We also want to take up the balance of the \$6.8 million, albeit the program has expired.

That agreement was with the previous government and it will be honoured by the present government. It is a three-year agreement that will expire. They are not under a total obligation to live up to the \$6.8 million part. That is one part of the negotiation I will have to take up with the new minister, as well as the extension of the program.

I have already looked into the Port Elgin situation. I know that not only did they have a problem when they first constructed the plant, but they have spent additional money since then in order to reach the containment level for phosphate discharges. There is no reason this community should not be helped through a tripartite agreement between the province, the federal government and the local municipality.

Sault Ste. Marie is faced with the same thing. I would think the phosphate levels from the treatment plant in my own community are not totally acceptable. We have moved a lot of the plants into an area where they are now in compliance with the International Joint Commission agreement with respect to phosphate discharges, but we have signed another agreement which requires us to achieve further removal of phosphates.

Point sources, such as the one you have identified, are sources I want to get at. With non-point sources, which are primarily agricultural, and oriented to fertilizer leachate or discharges, that type of containment is much more expensive and difficult to achieve. We have to aim at the Port Elgins in the Great Lakes system if we are to meet the next level of purification for phosphate levels.

Mr. Elston: I would like to introduce my aide, Mr. Kerrio, who is an expert on the Niagara River. He will take over presently, if that is agreeable.

Mr. Kerrio: Give me a minute to catch my breath.

Mr. Chairman: How about the beaches in the Niagara region?

Hon. Mr. Brandt: Did you want to speak about the Niagara River? I did not know whether you were serious about bringing that up or not. I think we are flexible enough to get into it now. We have spent some time on it. We have talked at

some length about the contamination from New York state as a result of the alphabet sites—the S site, 142nd Street, Hyde Park, Love Canal, the whole series—and some of the concerns we have in connection with the containment of those sites.

If you have questions about the Niagara River in particular, we would be happy to respond to them. I can tell you we have spent more money monitoring the Niagara River than any other river in the entire province. We have put our Niagara River study team into that area with the specific purpose of negotiating and working with our American friends and monitoring the problems that are occurring on the American side. Working in conjunction with our federal counterparts, we have developed suggestions and recommendations on what might be done to stop some of those extremely toxic chemicals from leaking out into the drinking water supply.

The first time we ever had a study team of this type put in position anywhere in the province was in Niagara. The second one was on the St. Clair River, looking after that river, Lake St. Clair, the Detroit River and St. Mary's River up at the Sault.

We are deeply committed to improving the water quality in the Niagara area. We have expended money on the Welland sewage treatment plant and the Niagara treatment plant. You came to me, sir, with a specific request for increased funding, which we agreed to. We are now proceeding, again with federal assistance, to improve the treatment facilities in the Niagara system.

In addition to this, we are spending about \$1 million over three years on the carbon filtration process in Niagara to determine whether or not we can remove some of the trace contaminants in the water system there.

With that general opening comment about Niagara, I will let you ask your questions.

Mr. Chairman: I was going to say, with that answer, do you now have a question?

Mr. Kerrio: Yes, Minister, you know I have taken it upon myself on occasion to address various things that have happened at Niagara. I have, in fact, complimented the minister that those things were being done. I feel very good about that and you know as well as I do that we must address ourselves to those kinds of determinations if we are going to clean up that situation.

Going back to some of the questions I have raised with former ministers, you will find a continuous concern of mine has been that we were not doing test boring to indicate to us when

those contaminants might be on the move, so we might do something before they reached areas of concern to me—mainly the river.

I still have some concerns as they relate to what our American friends are doing. They try, on one hand, to convince us that what SCA Chemical Services Inc. is doing is not detrimental to the river but, underlying all of this, I have a great feeling they are using that great Niagara of ours, with a flow of something like 2,000 cubic feet per second, to dilute some of the effluents they discharge into the river.

Witness the fact that SCA was not content with just dumping the discharge into the lower Niagara River. It laid a pipe on the bottom of the river and put dispersal nozzles in every so many feet. That indicated to me that it was looking for some dilution.

I feel very good about the fact that you have gone over to represent Ontario in this international concern about that river, but I still have gnawing feelings that there is not as much being done as should be done as it relates to the contaminant areas being monitored diligently to be sure there are no further contaminants moving since SCA was given additional licence to put more into that discharge in the lower river.

I would hate to think we are, in fact, using it in some way to dilute—maybe on the short term, yes, but I was hoping they would share with us their long-term goal of when they might stop dumping into the river.

As to those other things that are being done to add another dimension to it now, the Minister of Health (Mr. Norton) has decided we are going to have \$250,000 in a health study as it relates to the federal report that came out because of the incidence of carcinogens and other related problems in the area.

I would be remiss if I were not to say that many things are happening in keeping with the best interests of the citizens of the area. I would hope you might address yourself to those other concerns I have relating to constant monitoring, to maybe drying up of discharges into the river. I would think those would be my major concerns.

Hon. Mr. Brandt: Let me preface my remarks by saying we must be doing something right because Marguerita Howe now has lunch with me when I go to the Niagara area. That, in itself, has to be a major breakthrough. Operation Clean Niagara gives me a complete overview of the immediate problems that have to be addressed in the Niagara region.

The point I wanted to make with respect to your concern about what is coming out of the

New York state sites is that my staff members are, in fact, sampling some of those sites now. They were among the first to recognize some of the leaking discharge that was occurring at the gorge in Niagara.

I personally visited that site. I spent some time speaking with Occidental Chemical Corp. As a matter of fact, Marguerita Howe was with me on at least part of that trip.

9:20 p.m.

We have, as you know, intervened directly with New York state and Occidental Chemical in regard to our legal interventions at this time. We are not shy about going back in again if it is necessary on other sites.

We have maintained consistently, as far as our position is concerned, that we want to do whatever is possible not only to stop discharges from the sites but also to contain them where they are now and at the earliest opportunity to completely excavate those sites, the dangerous ones in particular that we know contain high levels of toxicity, and to have that contaminated soil treated and disposed of in an appropriate fashion.

The type of soil conditions that exist in that area is tremendously complicated. It is a type of Rochester shale, as you are probably aware. It is completely fraught with crevices and cracks all the way through it. All you have to do is look at the Niagara gorge and you can see the kind of trap a dump site could eventually end up falling through. It is just like a small river and ultimately will end up in the Niagara.

I share the identical concerns you have. The problem is that jurisdictionally we are talking about another country, another state. We are also talking about a whole series of sites that are far more highly contaminated, thank goodness, than anything we have on the Canadian side. The worst sites we have, and we have a couple I am concerned about, are nowhere remotely close in level of contamination to what are considered the better ones on the New York state side.

That being the case, I can only tell you we use every single weapon in our arsenal. We use negotiation. We use goodwill. We use legal mechanisms. We have used, as you know, intervenor groups. We have used everything I can think of—

Mr. Kerrio: Reagan and Mulroney maybe?

Hon. Mr. Brandt: That might help as well; I do not know. I do know my former colleague the former Minister of the Environment, Mr. Caccia, was extremely active in indicating his concerns about that area as well. I believe our feelings

were totally in concert with respect to what we wanted to do, which was to bring those sites under control and ultimately to excavate them and remove the threat for any future generation.

I do not have to tell you—this is a well-known fact—that once having contaminated that water-course and that water supply, Niagara discharges into Lake Ontario. It is going to be far more expensive to clean up Lake Ontario than to clean up those sites in the location they are in now. We are looking at billions of dollars rather than millions of dollars in the future if we do not contain them early on.

Mr. Kerrio: I have just one supplementary question. It is a concern of mine. This is a question that was posed to me by many members of the public who have some concern, whether it is real or not, about the water quality down there. There are any number of supposed filters we can put on taps at home, but my concern about that relates to the fact that in Ontario, if you want to put an electrical appliance on the market, it has to have a sticker of Ontario Hydro approval. I have a real concern about what is happening to the general public in regard to these filters.

I wonder whether there is not something we could do that would cause the people who want to market these filters to have some reliable second party testing that equipment, telling us what to expect and what the public should be expecting in the way of taking out contaminants.

I wonder whether there are not literally thousands of dollars being spent to combat something that does not exist. I am a little bit afraid that in most instances this is the case. Some of these filters are quite expensive. It is claimed of some of them that they will filter your water for five years and take out any trace contaminants which, I am sure most of us will agree, cannot be the case because of some of the circumstances.

The other thing is that there are people in the Niagara Peninsula who are going to sites where there are natural springs coming out of the ground. While the health units are telling us about the safety or otherwise as it relates to bacteria count, I am afraid those people may be taking water that may not be as safe as they think it is. I wonder if you might address yourself to some sort of monitoring or testing we can do.

There is one of these natural springs at St. Davids, another one at Queenston. Some of those have been dump sites for American Cyanamid and other industrial plants. I am afraid that ground water might have the kind of contami-

nants that would not show up with the ordinary health unit testing.

My question is twofold: how can we monitor those filters that are being sold and how might we protect the public by some sophisticated testing of that ground water?

Hon. Mr. Brandt: I see Mr. Bishop has moved forward in a position of response, and I will allow him to answer.

Mr. Bishop: As far as the home water treatment devices go, a year and a half ago the Ministry of the Environment had a working group in co-operation with the Canadian Water Quality Association, the Ontario Research Foundation and the Department of National Health and Welfare. That group looked at developing guidelines for the use and marketing of such devices, since there is no provincial legislation in existence right now. However, it is only in the last few years that there has been such a burgeoning in that field. Once these guidelines are in place, perhaps then we can move towards some kind of governing of these devices.

At present what we are able to do is to make available to interested parties, and we have made these available to between 500 and 1,000 interested parties, detailed information on the performance of any of these devices we have encountered so far. We put them through fairly extensive testing, as have our counterparts in the Ontario Research Foundation and the Department of National Health and Welfare.

Mr. Kerrio: Could I have the results of that testing? Is that available to anyone who might ask for it?

Mr. Bishop: Certainly. I can make sure you get that.

Mr. Kerrio: Would you please do that so I can share it with some of the people back home.

Hon. Mr. Brandt: You could put it in your next newsletter as a public information item.

Mr. Kerrio: That thought had not occurred to me, but that is an excellent idea. We would welcome the opportunity.

Hon. Mr. Brandt: If you will give us credit for it.

Mr. Kerrio: "Andy Brandt said"—I will do it exactly that way.

Hon. Mr. Brandt: I know you will, and that is why we will co-operate with you.

Mr. Kerrio: I would support you for the leadership but there is no other way I can help.

Hon. Mr. Brandt: I was counting on your vote, Vince.

Mr. Kerrio: No. We want Larry for leader. Can we have Michael Cassidy leading your party?

Mr. Bishop: We will send you the minister's picture in case you want it.

Hon. Mr. Brandt: I do not think he will want it.

Mr. Kerrio: Thank you very much.

Mr. Bishop: I will make sure you get enough copies to distribute.

Mr. Kerrio: What about the testing of the water?

Hon. Mr. Brandt: Mr. Bishop, perhaps you could make some comment with respect to our testing for the trace contaminants and the very small types of particles that would normally be contained, which information we release publicly in terms of what is in water and what the likelihood is of a conventional home water filtration system filtering out those kinds of contaminants or trace chemicals.

Mr. Bishop: We are talking here about a range of organic and inorganic compounds that in ordinary drinking water supplies across the province cannot be detected to the best of our ability. At the Resources Road laboratory, we have probably the state-of-the-art routine monitoring lab for this kind of testing in all of North America. We have the staff, the equipment, the expertise and years of knowhow in analysing something like two million tests per year, of which 380,000 are devoted to drinking water analysis.

Given that as a background, we do not find organic chemicals such as the type people are concerned about in your area. That is with testing down to the level of parts per quadrillion. That is 1,000 times lower than parts per trillion. If I could make the analogy to covering the entire land mass of Canada in dollar bills and one of them having your name on it, if you were able to pick up that one bill you would have the detection ability of one part per trillion.

When we could not find it in the first place, I would consider it well nigh impossible to be able to show that you would remove it from your drinking water with a home treatment device. In terms of removing the so-called toxic substances from drinking water at the levels at which we detect them in Ontario's drinking water, which is less than detectable, I do not think you would be able to demonstrate removal of anything.

Mr. Kerrio: The bottom line then is that those things are performing no valuable function whatsoever.

Mr. Bishop: Unless you are talking about contaminant loadings that are not the toxic organic or inorganic chemicals, I would agree with that. Most of them are designed to remove bacteria or colour, or what you could generally describe as aesthetic characteristics, not toxic characteristics.

9:30 p.m.

Mr. Newman: Mr. Chairman, I want to ask if there is any merit in monitoring the manufacturing of these various types of chemicals so we would get at them at the source of manufacture rather than when they are disposed of by whatever method an individual would take to dispose of them and we find out later down the road that we have contaminated our water supplies to almost the nth degree.

Living right across from Detroit, we have hollered for years to the Ministry of the Environment. You test our stuff on the Canadian side but that stuff is still spewing in from the American side. That is all mixing in Lake Erie and three or four days or a week later it is down at the Niagara Falls area. When one chemical mixes with any other type of exotic chemical, heaven knows what harmful and adverse effect that could have on any type of life, let alone human life.

Hon. Mr. Brandt: It is a very tricky question. The problem is that the types of controls you are talking about, as you indicated in your question, are not in place at the moment. There is the difficulty of looking at the number of compounds and toxic chemicals and other substances on the market, which number in the millions, not in the thousands. Along the Great Lakes alone, there are probably 70,000 different types of chemicals that are produced today. We have all those, plus the mixture of those, which is sometimes referred to by some people who perhaps want to frighten the public as the chemical soup mix but which is usually in very low levels.

To get the sort of control you are talking about is almost an impossibility in today's society. It is not all point sources that are dumping that. Mr. Redgrave indicated earlier that lead, for example, came into being with the automobile. You can register that almost directly. You are going to get lead in water and in soil as a direct result of emissions from automobiles. That is something you are not going to be able to stop.

A lot of the contaminants that are in our water supply are there on a natural basis; they are not produced in a man-made form. The bottom line I look at is that we are living longer and we are healthier and we know more about it. We worry

about it and should try to find ways of containing it, but it is extremely difficult in an advanced industrialized society to contain all of it all the time.

For what it is worth, the most recent studies we took of the Windsor-Detroit River—I will call it the Windsor River, because it is really the Windsor River in the Detroit area—indicated that the quality of water on the Canadian side is much higher than the quality of water on the American side, which you attributed directly perhaps to less than adequate controls on the American side of the border.

Mr. Newman: Population also. We are spewing out from 200,000, whereas Detroit has a population of two million, which is getting rid of liquid waste in some fashion.

Hon. Mr. Brandt: Does anyone want to add something further to my comment on it?

Mr. Wildman: I was going to ask a question.

Mr. Chairman: I must apologize to you, Mr. Wildman. You did have a question earlier—

Mr. Wildman: Actually, I thought I was on the list.

Mr. Chairman: You were on the list.

Mr. Wildman: I do have some matters I would like to raise under the first vote if you are at the first vote yet.

Mr. Chairman: We are wandering around. We have not got to the first vote yet.

Hon. Mr. Brandt: As soon as we finish with any questions you have on the beaches and water quality, it was my intention to move into the budget specifically to give the committee a general overview.

Mr. Wildman: If any others have any other questions before that, I would like to raise some questions under the first vote.

Mr. Chairman: We will be moving to that very shortly.

Mr. Elston: While we are on water quality, I would like to ask you about the one question you raised very briefly with respect to agricultural operations. You indicated that about 20 per cent of the beach closures were attributable to agricultural problems. I have a particular article in front of me which speaks to the agricultural runoff problems, the monocultural or monoculture-like operations in intensive farming now.

Have you undertaken through your ministry any negotiations or discussions, or attempts at discussions, with the Ministry of Agriculture and Food to work out some kind of a joint activity to deal with this problem as it affects not only

fertilizer runoffs in particular but also intensive livestock operations and the spreading of animal waste?

Hon. Mr. Brandt: The short answer is yes. In addition to working co-operatively with the Ministry of Agriculture and Food, we have contributed through a co-operative program—going by memory I believe it is \$400,000. Can someone help me?

Mr. Bishop: It is \$200,000 so far.

Hon. Mr. Brandt: It is \$200,000 a year for four years. That is the number. We have committed \$800,000 to the Ministry of Agriculture and Food to assist with soil erosion, which is a contributing factor to this whole matter.

My staff has also been working with the Ministry of Agriculture and Food to assist with other environmental controls we feel are imperative in the agricultural community, such as improving on housekeeping. We do not have environmental legislation to give us control over those agricultural activities, but we are trying to influence them through the lead ministry, which is the Ministry of Agriculture and Food.

Those are some of the things we are doing at the moment. I believe Mr. Redgrave wants to embellish on that answer a bit, so I will turn it over to him.

Mr. Redgrave: We have very extensive discussions under way and we have a working committee with the Ministry of Agriculture and Food. That is consistent with the report of the International Joint Commission, I think two years ago, which indicated that if on our side of the border we were to adopt a cost-effective solution to reducing phosphorus intake into Erie in particular, we should be paying more attention to the agricultural runoff. We thought the point was well taken. We looked at it more extensively, and we think it is an area of concern where we can get some good results with the money spent.

The Ministry of Agriculture and Food does have a program currently, which I think is in the order of \$2.5 million a year, to deal with the problems of soil erosion and bacteriological runoff from farms, including manure pile control and so on. We piggybacked some money into that program to try to focus on some key areas, to give us a sort of pilot study of the effects so we can get some monitoring of that.

At the same time, there are discussions under way between Environment Canada and the Ministry of Agriculture and Food, and we are joining in on those on a larger experiment to push down that channel to see whether we can get

some results on that. There is no doubt the sediment runoff from agriculture, apart from being a serious economic and agricultural problem, does convey a burden of pollution to the watershed and into the lakes.

As I say, we have a working committee and we are going at it. It is probably a program we should be watching very closely to see what we get for our money expended and how effective we can make it.

9:40 p.m.

Mr. Kerrio: I have a question relating to another problem that developed in my area, the disposal of sewage sludge on the land for farming purposes. There were huge land machines with large, low-pressure tires that would go on the land when it was rather muddy and plough the material underground. These machines—they were actually injectors—would inject this material from the sludge deep into the ground. They came into a specific area and began the injection treatment, but then they had more sludge than they could dispose of with that one particular machine and they began to distribute it by spreading it over the land. That went on for the best part of two months in the height of the summer.

What I am asking here is whether the ministry might look into some relief for the people who are living in such an area, where they can spread within very close distances of their homes, and for such a prolonged period of time. Perhaps there could be some discretion concerning how much time might be allowed to pass before the material that is spread rather than injected would be ploughed into the ground. In what we call reasonably builtup areas in the country, where there might be eight or 10 homes in a small area, perhaps there could be some regulation that would give relief to those people and say there would be specific times when they could not carry on over a period of, say, a month or two.

That has been a very serious problem. We put it to your people and to the region of Niagara. Those people put up with a great deal of inconvenience this past summer. I was hoping the ministry might address itself to some reasonableness, to some kind of regulation that would allow it to come in for a specific length of time, get it under the ground and control the runoff to some degree.

Hon. Mr. Brandt: Interestingly enough, sludge is a valuable commodity in many areas, as you well know. It can be used in a proper fashion, but it can also be used in an irresponsible one.

Mr. Kerrio: This is what has happened.

Hon. Mr. Brandt: My ministry does, however, regulate the spreading and the use of sludge. The content and quality of the sludge itself is also something over which my ministry has control. I am going to ask Mr. Boyko perhaps to start off; he is director of the west central region. Mr. Gotts has also come forward to contribute perhaps to the answer you may wish to receive on this.

Mr. Kerrio: He may have had a complaint from that particular area.

Hon. Mr. Brandt: I think he did have one.

Mr. Boyko: It may have received some media attention.

Mr. Kerrio: It came on pretty heavy.

Mr. Boyko: Perhaps I can comment on the specific issue at hand, and then maybe Mr. Gotts can comment on the general question of sludge utilization and the guidelines and that sort of thing.

In Niagara Falls, as you may know, the municipality did dewater its sewage sludge and dispose of the dewatered sludge in the municipal landfill. With the expansion of the sewage treatment plant, the secondary treatment, it had to abandon the sludge dewatering facilities and it turned to utilization on agricultural lands.

There was one occasion on which the sludge hauler applied sludge improperly. He was much too close to the residence in question; there was no doubt about that. A violation notice was issued and the practice was stopped. So there was one instance in which there was a problem.

There were subsequent meetings with respect to the regional municipality, and the citizens and the ministry staff were there to discuss the whole concept of sludge utilization on agricultural lands. But, basically, the problem stemmed from one particular instance and was not a recurring one. Frankly, he was too close to the residences.

Further to that, perhaps Mr. Gotts wants to comment on the review of the sludge utilization guidelines.

Mr. Kerrio: I hope they will address themselves to that problem. The thing that happened—and I made this comment to the minister's representatives at the region of Niagara—was that while Mr. Chant was going about spending many dollars doing a public relations job—

Hon. Mr. Brandt: Addressing the concerns of your residents, sir.

Mr. Kerrio: —snowing them into accepting this great and wonderful way of disposing of all this waste, this other thing happens ad hoc and,

bang, some poor citizen wakes up one morning and here are these great trucks running around his house and he cannot draw a breath.

I was trying to draw this into perspective and say if we are going to have regulations, should we not have some kind of body that is going to relate to those people who are affected, maybe tighten up somewhat on the regulations and do it in a way that would be much more acceptable?

Mr. Gotts: I can speak to the general sense as opposed to the site-specific case. The sewer sludge guidelines we have in the province were first developed back in about 1973 and they are, in essence, under continuous review. We have a standing committee, which is a pretty high-powered committee involving people from the Ministry of the Environment, the Ministry of Health and the Ministry of Agriculture and Food—

Mr. Kerrio: I think Mr. Holinski from the Niagara region sits on that.

Mr. Gotts: He does. I am not sure of the exact names, but we certainly have other than provincial agencies and the Ontario Federation of Agriculture represented.

Mr. Kerrio: It is called a heat shield.

Mr. Gotts: Is that what it is? In any event, they are constantly monitoring sewer sludge utilization. It is obviously a tough committee to work on because there are opposing views being represented there in many respects. There is the agronomist, the agriculturalist and the fellow who runs the sewage plant who has to get rid of the sludge somewhere.

The experiences you referred to certainly come to their attention. In terms of reviewing the guidelines that control this type of operation, if things are being done in accordance with the guidelines and are still causing problems, that would mean the guidelines have to be adjusted.

Mr. Kerrio: They are, yes.

Mr. Gotts: This is where the experiences as they come to us very much dictate what is done to improve the guidelines as we go along. I am sure they will be very cognizant of the Niagara incident in terms of any modifications that might be made to the revised guidelines.

Of course, as Mr. Boyko has pointed out, if someone has done something contrary to a guideline, that certainly does not make the guideline inappropriate. What is inappropriate is the action that took place. No matter how strong the rule is, if somebody does something contrary to it, it does not necessarily make the rule bad. It

makes the action bad. It is a combination of the two.

Mr. Kerrio: Yes, except for the fact that they will take a soil test and decide how much material can be put on a given area. They can put it on all in one application and they can completely circle an area and stay in that area until they get in done. I am suggesting those are the kind of guidelines that, even if they are adhered to, do not take the pressure off those citizens who are suffering from that kind of an involvement.

What I am really asking is that you take another good hard look at the regulations, talk to some of the people in the area and adjust the regulations so they might be more acceptable.

Mr. Gotts: Okay. I think that is good advice. Certainly, those instances that do come to our attention are passed on to the committee, so it is aware of where things have gone wrong.

Mr. Charlton: On this issue, I want to know why the standing committees in your ministry are high-powered and the standing committees in this Legislature have no power.

Mr. Gotts: It was not our staff that made it high-powered, it was the external people.

Mr. Elston: Oh, no; please do not sell yourself short.

Mr. Chairman: Thank you very much. Any further questions along these lines? If not, I guess we are about ready to move into the actual budget items. Any further questions from the committee members?

Hon. Mr. Brandt: With the concurrence of the committee members, Mr. Chairman, I would like to move into an explanation of the budget. I have prepared a sheet of information I would like the staff to distribute to the committee members, which essentially will give you, in addition to the budget documents you have, a breakout of some of the numbers that were referred to in the initial questions that were raised by the critics in their opening statements.

In connection with those budget numbers, you will note in 1981-82 the expenditures of the ministry were \$328.7 million and that in 1984-85 that number had been reduced to \$312.2 million. The conclusion that some of the critics came to with respect to the ministry's operation was that there were substantial cuts in the budget.

9:50 p.m.

On the surface, and I am giving you the numbers so you can review them, it would appear there has been something in the order of about a \$16-million reduction—I am rounding the number, of course—from the 1981-82 budget to the

1984-85 budget. That is the area I specifically want to discuss with you.

There are four general areas of activity within the ministry, the first one being disbursements, in which there has been a rather substantial decline in spending by my ministry. The percentage change is shown, if you will take a look at the line immediately adjacent to that. The second is grants to municipalities, which is about even or down slightly. Plant operations is the third area of activity, and that has gone up rather substantially. The fourth is environmental programs.

With respect to the area of disbursements, which is the one that shows the most substantial decline in spending, those disbursements are essentially made up of provincial projects. By that I mean large undertakings that are owned by Ontario and projects that are essentially owned and operated by the province and, with very few exceptions, were put into very large population centres.

The reason for the decline in that particular area of spending is, after I get through the explanation, a very obvious one. Over a period of time those projects are rather rapidly coming to a conclusion. The reason for that is large sewage treatment plants, large water treatment facilities, are no longer required in terms of new construction in those large urban centres because they have been put in place.

I have asked my staff to project the anticipated expenditures. Please get your pens out and you can bring these figures back at a future point. Not only are the figures down from \$125 million in 1981-82 to \$59,800,000 in 1984-85, but we project a further decline in 1985-86 to \$38 million, in 1986-87 to \$29 million and from 1987-88 and thereafter, literally for-infinity is too long—whatever number of years it takes to complete the projects we have identified, a final total of \$71 million.

Add up all those numbers and that total category of spending, until it effectively exhausts itself, until those projects are completed, until there are no longer any large projects anywhere in this province that we can identify that have to be done that are provincially owned and operated projects, will be \$138 million over the time frame I have identified. That means we will have effectively completed the entire job of constructing those major projects at that time.

By way of a first response with respect to the decline or the reduction in spending, the largest percentage of the money is found in that category, and it is as a direct result of these

projects being required to be constructed by the province. In terms of urban sewage treatment, the staff may have the correct figure, but it is about 95 or 96 per cent, or in that range; I may be off by a percentage point or two.

We are at the point now where we have 95 or 96 per cent of the entire province covered in terms of urban sewage treatment systems. There is no point in building 110 or 120 per cent, which is the point I am making. Once you get to 100 per cent—

Mr. Kerrio: We need you to run Ontario Hydro.

Hon. Mr. Brandt: I have not been offered the job.

I wanted to point out that category of spending, first of all, to indicate why the number is down; and second, why the number predictably will continue to go down. I want to say to the committee members I think that is good news for the taxpayers; I really do. I think if we can find an area of the budget where we can see the light at the end of the tunnel, when we finally come to an end in the spending and where we can find some relief or perhaps find some new priorities on which to expend our moneys, then we must be doing something that is at least reasonably acceptable.

Let us go to the next category of spending.

Mr. Wildman: May I ask you a supplementary?

Hon. Mr. Brandt: Certainly.

Mr. Wildman: When you say a provincially owned and operated facility, are you including sewerage lines?

Hon. Mr. Brandt: No, they are municipal.

Mr. Wildman: No. I will not get into it, but in some of the areas in my riding they are not municipal, although the ministry would like them to be. They are provincial.

Hon. Mr. Brandt: You may be talking about a very minor percentage.

Mr. Wildman: The point I am making is that some of those projects could be completed now, but they have been spread over a number of years. If you want to look at it, your projections are included in that, I am sure, but the projects run over a number of years instead of saying, "Let us finish it in one shot."

Hon. Mr. Brandt: We do not have the money to finish it in one shot. Quite obviously, as in every ministry, we have to prioritize our spending and spread it over a reasonable period of time. I am only showing you that with the

projections we have now, as these projects are expected to be required and as we expect to be able to complete them, the future projections I have given you are the best estimates of the staff at this time.

Mr. Caplice: do you want to respond specifically to Mr. Wildman's question? Are you familiar with the situation he has identified?

Mr. Caplice: Mr. McIntyre and I will be able to respond, but I think Mr. Wildman should expand a little. We know some of the problems in the north and in your area. If you will name some names—

Mr. Wildman: I will give you an example. White River is a project that the province owns and would like the municipality to own, but the municipality has said, "Thanks, but no thanks."

Mr. McIntyre: Yes, but if I may, Mr. Wildman, all the construction that has been taking place for the last two years has been on the basis of upfront grants.

Hon. Mr. Brandt: That is a different category from disbursements.

Mr. McIntyre: Those are not disbursements; they are grants to municipalities. We have not been embarked on any new provincial projects since 1978. What the minister is showing under disbursements is the fact that in 1978 we had a certain level of commitments. We have been working away at getting them done; they are now being done. No new ones are being undertaken, so you end up with a level in the future at which all you are doing is looking after those you still own—the minor expansions, the minor changes you have to make on those you own across the province. The rest of them are all being done on an upfront grant basis.

Mr. Caplice: Disbursement equates to provincial ownership.

Mr. Wildman: But it is true that White River is owned by the province.

Mr. McIntyre: Part of White River is owned by the province; a great deal of it will be owned by the municipality. All the new construction that is going on now is in upfront grant projects.

Mr. Wildman: All right. I will not get into any argument with you.

Hon. Mr. Brandt: Could you remain there, Mr. McIntyre? That will perhaps cover the area, and we can come back to disbursements. I am not cutting off the discussion. But to identify the grants, that is where we supplement the municipal dollars in order to undertake a project such as the beaches, where certain programmes are going

on for which we provide some of the money as well, to supplement it.

In that particular instance the municipality pays for a percentage. We put a grant in and usually either the municipality borrows the money for its percentage or, as in the last few years, we have in some instances been assisting with the financing of those projects as well.

At the moment we in the ministry are handling some 400 projects, and these are grants to municipalities directly. It is a very active part of the ministry. The spending we undertake in the second category, which is direct grants to municipalities, in my view is very important spending.

I have asked the staff to research what this triggers in new construction when we are looking at job creation activities. Because the moneys are supplemented by municipal dollars as well, when we put a dollar into a grant, it spins off a number of other dollars in the community, which come from the municipality and eventually go to small contractors, labourers and many other people who work on those projects.

There has not been a tremendous amount of growth; it is down slightly. But that reduction, I might add—and I answered this question in the House the same way I am going to answer it tonight—has occurred in great part because of a slowdown in municipalities coming forward and requesting projects.

10 p.m.

Please differentiate between a municipality that comes in, as many of them do, and asks us to pay for everything. That happens too. Without exaggeration, almost every day I have a municipality come in and Mr. McIntyre sits with me while we explain the facts of life. The facts of life are that we anticipate the municipality is going to have to put up some of the money.

In that connection, I also announced in the House that we are changing direction and moving from larger municipalities to try to take up some of the work that is required in the smaller municipalities and communities around the province that have population bases below 1,000.

However, the principal reason there has been a decline in spending in that category—I said this in the House and I am repeating it tonight—is that because of the recession, the municipalities have slowed down their capital spending. They have not been investing at quite the level they did during the halcyon days of the 1970s. As we got into the latter part of the 1970s and the early part of the 1980s, there was a noticeable decline in the

number and value of the projects undertaken by municipalities.

Mr. Wildman: Sometimes that is not by choice. Sometimes that is thanks to the Ontario Municipal Board.

Hon. Mr. Brandt: I do not disagree with that, other than to say that the Ontario Municipal Board would take into account the spending or borrowing capacity of a particular municipality in its judgement. As an example, one of the benchmarks it uses is the 25 per cent figure; 25 cents out of each dollar; once a municipality starts to spend 25 cents or more out of each tax dollar collected, it is starting to get into trouble.

That is a break point as far as the Ontario Municipal Board is concerned. If a municipality is down around 20 cents or 18 cents—or per cent if one wants to call it that—it usually has some flexibility in its borrowing capacity and can take on a project. It can borrow the money, couple it with our subsidy and proceed with the project. The OMB is really there as a watchdog to make sure the municipality does not get into trouble.

The slowdown in category 2 is directly attributable to municipalities not coming forward with the same number of projects as in past years.

In the next two categories the spending is up considerably. Plant operations are up from \$50 million to \$71 million annually, on a comparative basis using the two time frames on the sheet I have provided you. If you were to take only inflationary spending into account over that same time frame, the \$50 million should now be about \$59 million. It is considerably more than that.

I think that should identify in your minds a shift of priorities within this ministry. We have cut back on disbursements and we have levelled off on grants to a certain extent, but our spending in this category has accelerated rather rapidly. That is because of the plants we are operating as a direct result of past years' disbursements; in other words, the new facilities we put in place have to be operated. There has to be personnel to do the jobs required. There is an inflationary factor as well as the new plants that are coming on stream.

We could get into a detailed breakdown of these numbers. I do not expect you to accept them on the basis of what I am saying at the moment.

I think the big category of new spending and the one that will be of most interest to the members of the committee is environmental programs. In that area, we have increased spending from \$76 million to \$116.4 million, which is about a 40 per cent increase.

That category is a catch-all for literally all the new initiatives we are undertaking in this ministry, many of which have been proposed or encouraged by the members who sit opposite me in the House, including the critics. Acid rain and research come into this category. Waste site cleanup comes into this category. The Toronto water study we talked about earlier tonight, the cleanup of the beaches, comes under this category.

There is the question Mr. Kerrio raised with respect to drinking water quality, the testing for trace contaminants and so forth. We are spending about \$1.3 million this year alone in that area. The expenditure on the Niagara Falls carbon filtration plant, which is just about \$1 million over three years, comes under this category as well.

All of those are new initiatives and where we have undertaken a whole new thrust in the ministry, from a conceptual standpoint, those moneys are being disbursed through those particular categories. It is a very substantial area of spending we are involved in.

In the context of that, a question was raised by Mr. Charlton. He wanted to know about the government's long-term commitment to environmental funding. I have just outlined a few programs here, but let me give the answer to that question from my perspective. The government's commitment to the environment is in programs directed towards the continued protection of the environment. I want to give some examples.

We are committed to the implementation of a workable and affordable sulphur dioxide abatement strategy, the acid rain strategy, in an effort to reduce the impact of acidic precipitation. We are committed to assisting small municipalities to provide proper water and sewage treatment facilities for their residents. I indicated in that connection in the throne speech, and I have indicated it again tonight, that we were changing direction to help small municipalities to increase the subsidy.

The maximum subsidy at the moment is 75 per cent. I have indicated I want to supplement that, which reduces I might add, the problem of the small municipalities having to go to the Ontario Municipal Board for borrowing purposes. It will accelerate some projects that cannot get under way at the moment because the municipalities do not have a substantial enough funding base to be able to do that.

We are committed to assisting the municipalities in beach cleanup, not only in Toronto but

also in other areas of the province. There are a few beaches in the Welland-Niagara area that are giving me some concern and we talked about those tonight. There are some beaches in the Ottawa region that we want to get after. That is another major area of priority.

We are committed to a program to ensure that Ontario's drinking water continues to be of top quality and that any fear of trace contaminants that the public has with respect to our water quality will not become a reality. The best information we have is that our water quality is comparable to anything anywhere in the world. I stand by that statement. We hold back no expense in equipping our labs with state-of-the-art equipment and being on top of the latest technology. That is why we are working with carbon filtration in Niagara, to find out whether we can improve on what we have at the moment.

We are committed to continued improvement in the water quality of the Great Lakes and the interconnecting rivers through such initiatives as the Niagara River improvement team. I am sorry Mr. Newman has left because the newly established improvement team for the St. Clair River affects the Windsor community, my own community and St. Marys River in the area of Sault Ste. Marie and Lake St. Clair.

We are committed to the establishment of a hazardous industrial waste treatment facility by the Ontario Waste Management Corp. We will be dealing in detail with that corporation, that budget and the initiatives they are taking, on Tuesday night of next week.

Those are only a few of the things I think are ministry priorities, but I wanted to share them with you tonight because they do reflect the increase in spending under environmental programs in the fourth category.

I do not know whether Mr. Wildman wanted to get at the ministry administrative costs, but if we looked only at the raw figures on that first page, it would appear that spending is up by about \$1.4 million. Of course, the question arises very quickly that it looks as if we cutting back on certain programs but propping up the bureaucratic end of the operation. Let me say, without any equivocation whatever, that is not true. I want to break it out for you and let you know where it is going.

Mr. Wildman: Just before you go to that, could you tell me how much of the environmental programs budget is actually spent on public information and public education?

10:10 p.m.

Hon. Mr. Brandt: Yes, I will give you that figure; I am going to come to it in just a moment. There has not been a substantial increase in that area but there has been an increase directly attributable to ethnic publications. I will give you the exact figure in a moment.

Of the \$1,442,000—I think you can find the figure on the administrative side of the first page of the budget—research is up \$1 million. The research moneys I am talking about are moneys we provide to universities and to institutions around this province to undertake specific studies that we feel are required on the part of the ministry. My staff can give you details of what those research projects are all about.

In the area of personnel there is a \$50,000 increase for the voluntary certification program, which is the training of some of the municipal and provincial plant operators in the Brampton training facility we have. We have an old treatment plant there that we use for training purposes. You are welcome to visit it any time you would like to see what we do.

Effectively, we have a treatment plant that discharges into another treatment plant. If during the course of the training we have an upset, it does not go directly into the environment. It goes into another treatment plant and we still treat the effluent, whatever it is. We have a \$50,000 increase because we are moving towards the licensing or the proper certification of the plant operators over a period of time. At the moment there is no certification program.

Mr. Wildman raised a question on the whole area of advertising, publications, publicity and so forth. We do virtually nothing in terms of advocacy advertising. Let me tell you that. I do not know of any we do, period. All the advertising you see in that budget, subject to what my staff might tell you, from my research and from my studies, is the type of advertisement we are required to put in, advertising polychlorinated biphenyl hearings, environmental assessment hearings, those kinds of things.

Mr. Wildman: You will never make it to leader that way.

Hon. Mr. Brandt: I am trying to run a ministry. I am not trying to do anything other than that.

The ethnic press area, however, as a result of initiatives that were announced in global government policy, required of us that we have an increase. When I say "ethnic press" I am talking about making those advertisements available not only to the daily or the weekly papers, but also to

Italian, Polish, Portuguese, etc., newspapers and publications that are available throughout the province. The net increase, for your information, is \$85,000 over the year in that category of spending.

Let us deal with some specific questions. That is the best way, although I could go on talking. I would like to introduce for purposes of Hansard and also for the committee members' purposes, Mr. André Castel, who is physically but not philosophically on my left-hand side. Mr. Castel and his staff will be happy to assist with the response to any specific questions you have.

Mr. Charlton: I do not think I have any problem understanding what it was you were saying to us, but I do have some problems with the figures. Referring to your sheet, not to the estimates numbers but to your sheet comparing the 1981-82 and 1984-85 figures, the one you just handed out, you are showing a total of \$328.7 million in 1981-82. Unfortunately, the estimates book does not go back that far, but the information I have is that is an estimates figure, not an actual figure.

Hon. Mr. Brandt: That is right.

Mr. Charlton: The actual figure in 1981-82 was \$345 million. It does not seem to make sense to me to be talking about budget increases or decreases based on estimates that did not hold true. If you underestimated at \$328.7 million in 1981-82, then you are not giving a realistic picture of the shift since that time.

I went through some figures with you in my opening remarks. Perhaps they were not as clear as they should have been. I see two things happening. I repeat that I understand what you have said about the drop in the disbursements area and the levelling in the grants area.

For your overall ministry program, what we are in reality looking at is that unless you spend substantially more than you are estimating this year, which is entirely possible, then in terms of our discussions about whether the \$312 million is adequate as an estimated budget for this ministry, what we are looking at is not a drop in constant dollars of \$16.5 million, as you show on your sheet, but a drop of \$33 million. That is 10 per cent, not five per cent, and those figures do not take into account inflation in terms of the global ministry figure.

Let us compare the \$345 million that was actually spent in 1981-82 to the current figure of \$312 million in 1984-85, and take into account inflation during that period. Let us for a moment forget about the areas of the budget that are being decreased for obvious reasons that we have been

through. Let us try to take account of them after the fact. Let us just start with the \$345 million from 1981-82 and go through the process of inflation over the three-year period at rates of 5.8 per cent, 5.3 per cent and 5.1 per cent.

To take into account the rates of inflation in this province, this year's budget would have to be \$404 million to be equal to the 1981-82 budget, which leaves us with a shortfall of \$92 million; not \$16.5 million and not \$33 million, but \$92 million.

Let us start with that figure and look at the things that have perhaps legitimately been reduced because they have been worked off the books and take a realistic look at what the real shortfall is in maintaining the level of activity in the other areas where, based on your figures, we are talking about 41 and 40 per cent increases. They do not work out to be real in the context of actual spending.

Hon. Mr. Brandt: Quite the contrary; they are the real figures.

Mr. Charlton: They are the real figures, but they are not real in terms of what has occurred in the time frame we are talking about.

Hon. Mr. Brandt: I will use your figure exactly. I am not going to leave your figure. I first want to defend my figure, if I can, and then we will get to your figure and we will respond to it in the context of your numbers, not mine.

What we did and what we thought would give you an accurate picture was to take estimates versus estimates, rather than the actuals versus estimates. We are going to get into the actuals in a minute. I am not getting away from that figure and I believe you are absolutely right. I think Mr. Castel will agree with your figure.

The estimated figure for 1981-82 that I have given you is accurate and the estimated figure for this year, 1984-85, is again accurate. I am comparing apples with apples. I am not opposed to comparing apples with oranges and we are about to do that, but Mr. Castel will identify for you where that extra money was in 1981-82 and then we can bring you up to speed as to where we are now.

You are obviously projecting some numbers based on the \$342 million, I think it was, rather than the—

Mr. Charlton: The \$345 million.

Mr. Castel: As the minister has explained, I think it is more accurate to compare estimates with estimates and actuals with actuals. The budget is a dynamic process. A number of

changes take place during the year. There are supplementary estimates, for example.

10:20 p.m.

In 1981-82, and I am speaking from memory, towards year-end there was an increase of more than \$20 million for provincial write-offs for plants that were transferred to municipalities. Municipalities had accepted ownership of the plants and additional funds were provided to the ministry for the provincial write-off of the subsidy portion of the transactions. That is a very big increase and the same thing will probably happen in 1984-85, so it is more accurate to compare estimates to estimates and actuals to actuals.

As for the figures you quote for inflation, I cannot argue with them. We have used different inflation figures. The minister's numbers were based on 7.6 per cent, 5.1 per cent and an estimate of five per cent for 1984. That is according to the Southam index. You have probably used another one and there is no argument.

If you take into consideration even those items that have to be reduced because we have done the job and funding is no longer necessary, our budget this year should have been \$390 million. However, when you take into consideration the activities that need to be increased, plant operations, for example, the amount required for inflation is \$9 million, while we have an increase of \$21 million. The increase far exceeds the inflation amount.

Mr. Charlton: Back up about a sentence and a half. You said \$390 million after we take out—

Mr. Castel: No, I said if you consider the total items of the budget, the full components, our budget should have been today approximately \$390 million.

Mr. Charlton: As opposed to the \$404 million—

Mr. Castel: As opposed to \$320 million, which is what we have today, if you take inflation into consideration.

Mr. Charlton: Okay.

Mr. Castel: If you take inflation into consideration only for those items that need to be increased, because there is no point taking inflation into consideration for disbursements, which have to go down in any case, as the minister has explained.

Mr. Charlton: Can you not spend the money?

Hon. Mr. Brandt: There is nothing to spend the money on.

Mr. Castel: If you take inflation into consideration for plant operations, an amount of \$9 million would be required for inflation. Yet the increase is \$21 million, which is far in excess of the inflation requirements. The same thing is true for our environmental programs, all the programs the minister has mentioned, acid rain and the others. The inflation amount should be approximately \$14 million. Yet the total increase is roughly \$25 million, so it is far in excess of inflation.

When you take the total budget, it obviously does not show the total inflationary amount, because the disbursements have come down by a very considerable amount, simply because the job is being done. What we have included in the budget is what we can spend this year for the construction that is imposed. I think Mr. McIntyre pointed out that we have not started any new projects in this provincial category of projects.

Mr. Charlton: Okay, I understand what you are saying as well. I do not think it deals with what I was trying to say on the overall commitment to the environment.

I have been through four mornings or evenings of discussions so far in these estimates. I have heard repeatedly, on any number of issues we have discussed, concerns expressed by the minister and staff that, "Yes, we are doing what we can in this area but there is more that needs to be done." That has been said repeatedly all through the course of these estimates.

If you have dollars you no longer have to spend on X and you have Y that is not being done to your satisfaction, if you have an absolute commitment and you see areas where you are falling short, my point is that in order to maintain just the same level of commitment we were demonstrating before, you basically have to take a budget and divide it into the things that have to be done.

When you have some of them done and have freed up some money in an overall budget, you move on to do the things that to a great extent you see as being shortfalls, as you are admitting to us during the questioning in the course of the estimates.

I am not talking about whether the disbursements have gone down by X, Y or Z; I do not care how much they have gone down. I am talking about the overall level of commitment to the environment, because we are admitting repeatedly that there are shortfalls in so many areas.

I am saying that, whether you are talking about the \$312-million estimates in 1981-82 or about

the \$345 million which were the actual expenditures in 1981-82, that is what I am defining as the level of commitment to the environment and maintaining that same level of commitment, whether it is in disbursements, in grants or in totally new programs.

Hon. Mr. Brandt: We are going to run out of time. It is an important part of the discussion, and I want to try to answer at least part of what you have said.

First of all, we have done exactly what you have indicated we should be doing. If you take the four categories of spending that I outlined for purposes of simplifying the budget at the outset of our discussion, category 1 is eventually going to be wiped off the books completely; it is going to go down to zero. While that is happening category 2, which was grants, subsidies to municipalities, has been basically flat-lined; it could probably have gone up if we had not had a mild recession that cut back municipal spending.

However, categories 3 and 4 are an area of spending in which we have done exactly what you have suggested we do, which is to prioritize a whole new set of activities.

Mr. Charlton: You just have not done them to the extent I am suggesting.

Hon. Mr. Brandt: Let me finish, though. I will be very brief because I know you may want to get a last kick at this number before we have to close.

If you are suggesting that there are things for which, if we had \$200 million or whatever the amount was, we could take this money, plough it into a particular program and clear it off so that we get the answer to it, have it completed or whatever, I wish we were in a position to do that.

It is going to take five years to do the Toronto water study. I cannot take the five-year period, telescope it into one year, simply increase the spending for one year by five times and wipe it off. From a scientific standpoint, from a technical standpoint, in view of the requirement for long-term sampling and the rest of it, I just cannot do it. It is the same with acid rain. There is a whole series of tests.

I can sit here and tell you that no jurisdiction has put more money per capita into research on acid rain than we have. We are literally a world leader in that particular commitment. It continues to go up every year; we are spending more and more money on acid rain studies.

As an example, this year, and I announced this in the House, we spent money on the maple tree problem. We did not know there was a maple tree problem last year; it was only identified this year.

We think it is attributable to the acidification effects of sulphur dioxide.

The reality is that we have shifted those priorities in an attempt to recognize the new set of priorities this ministry has, so I think we have done what you are talking about.

Mr. Charlton: No, you have done in part what I am talking about. I threw out a figure, just in order to maintain the level of total dollar commitment to the environment globally, of \$404 million. Members of your staff tell me that no, they use different inflation figures and that it should be \$390 million.

I think you understand what I am saying. I am not going to fight, any more than your staff are, about whose inflation figures are right; it does not matter whether it is \$404 million or \$390 million. What I am saying is that we have been admitting repeatedly that there is still a lot to be done.

I understand what you are saying: a particular project can be done only so fast. But there are all kinds of projects that we have talked about to which the response has been, "Do you know how much that would cost?"

Hon. Mr. Brandt: Give me an example. I do not want to deal with you in generalities. I want an example and maybe I can respond to it.

10:30 p.m.

Mr. Charlton: For example, there was one that we were talking about just the other day; it was called termites. We talked about whether or not the termite program is keeping up with or getting ahead of the problem so that we are in fact reducing and will eventually be able to get rid of that expenditure in the budget and use it for something else. The bottom line was that in some areas you said we are getting ahead of it and in other areas we are running parallel to it and, in essence, are never going to be able to get rid of it.

You even threw out a figure of \$100 million in terms of being able to eradicate that problem totally, if it is possible. I do not think either of us know whether it really is, but that was the discussion we were having, about a program where there were still needs.

Hon. Mr. Brandt: May I respond to that?

Mr. Charlton: Just let me finish. There is a \$14-million difference between the figures I have used and the figures your staff used. Your figure was \$14 million less than mine—they range between \$78 million and \$92 million—in terms of a real reduction in your expenditures as a ministry. If that same level of commitment were there, some of that extra money could be pumped into that termite program and perhaps we could

get a little bit ahead of it instead of running parallel to it in places such as Metro Toronto.

Hon. Mr. Brandt: First, I do not think there is any great dispute over the inflation figures rounded to the \$400 million that you mentioned and Mr. Castel's \$390 million. Let us take your figure of \$400 million; we are not arguing about a lot of money. Will you accept the fact that category 1 is eventually going to disappear over the next four, five or six years?

Mr. Charlton: Yes, I accept that. I am not arguing with that at all.

Hon. Mr. Brandt: You cannot simply inflate that figure on a constant basis.

Mr. Charlton: Why not?

Hon. Mr. Brandt: Because the jobs, the projects—

Mr. Charlton: Your staff understand what I am saying. You are missing the point. I am saying the \$345 million that you spent in 1981-82 is a level of commitment to the environment.

Hon. Mr. Brandt: You are saying we should shift all of the money to another category.

Mr. Charlton: I am saying that as a province our level of commitment to the environment should not be declining when there are still other problems to be resolved.

Hon. Mr. Brandt: You specifically mentioned termites. I know, Mr. Chairman, we are running overtime.

Mr. Charlton: We could talk about a dozen, 15, 30, 50 or 100 other areas where we have a lot of work to do.

Hon. Mr. Brandt: I asked you for a for-instance. I did not choose your for-instance.

Mr. Charlton: That is one of them.

Hon. Mr. Brandt: You gave me termites; I would like to give them back to you.

Mr. Charlton: I do not want them back; I want to get rid of them.

Hon. Mr. Brandt: What I was going to say in the spirit of this discussion was that the termite program went from \$250,000 a year to \$500,000 last year, supplemented at year end by another \$500,000 because we had some money left over. We accelerated the program last year based on

specific applications from municipalities, our partners in this whole deal.

I might add that it is very much like category 2, which is grants and subsidies in that we do not initiate the action on the termite program.

I suppose we could go to the Beaches area or to certain areas of Toronto where they have a termite program and we could move in there with millions of dollars with no participation by anyone else and we could do something more about the problem. You are probably right. The reality is, as I indicated when we talked about termites here a day or so ago, it takes about \$2,000 to treat a house. About \$750 comes from the home owner and about \$1,250 comes from the two levels of government, the province and the municipality.

As a result of what we did last year, and I am being very careful in what I say, we literally wiped out the backlog of applications for termite treatments. We did all the work that we could possibly do with respect to termites based on the existing program.

Mr. Charlton: You also pointed out in your comments that there were a number of problems yet to be resolved, such as people's reluctance to come forward, such as the concern about the effect on their property value.

Mr. Harris: How is money going to solve that?

Mr. Charlton: How is money going to solve that? By ministry staff going into areas where they know the problem exists and talking realistically to the people about the ability to stop it.

Mr. Chairman: Can we draw this to a conclusion for now and think about it overnight? We will not meet next Tuesday, but next Wednesday morning we will continue our discussion on this and other financial matters. Dr. Chant will be here on Tuesday night of next week.

Mr. Wildman: On Wednesday morning, can I talk about the first vote?

Mr. Chairman: After your critic gets finished and after the Liberal critic gets finished, you are first.

The committee adjourned at 10:35 p.m.

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Brandt, Hon. A. S., Minister of the Environment (Sarnia PC)
Charlton, B. A. (Hamilton Mountain NDP)
Elston, M. J. (Huron-Bruce L)
Harris, M. D. (Nipissing PC)
Kerrio, V. G. (Niagara Falls L)
Newman, B. (Windsor-Walkerville L)
Stokes, J. E. (Lake Nipigon NDP)
Wildman, B. (Algoma NDP)

From the Ministry of the Environment:

Bishop, J., Director, Water Resources Branch
Boyko, B., Director, West Central Region
Caplice, D. P., Assistant Deputy Minister, Regional Operations Division
Castel, A., Director, Policy and Planning Branch
Gotts, R. M., Director, Waste Management Branch
McIntyre, C. E., Director, Environment Approvals and Project Engineering Branch
Mierzynski, G., Director, Toronto Regional Office
Redgrave, D. E., Assistant Deputy Minister, Environmental Planning Division



Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of the Environment



Fourth Session, 32nd Parliament
Tuesday, October 23, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, October 23, 1984

The committee met at 8:09 p.m. in room 228.

ESTIMATES, MINISTRY OF THE ENVIRONMENT (continued)

On vote 2204, utility planning and operations program; item 4, Ontario Waste Management Corp.:

Mr. Chairman: This evening, as we had agreed, we have appearing before us Dr. D. A. Chant, who is chairman and president of the Ontario Waste Management Corp.

Dr. Chant, if you would like to sit at the table in front of us here.

Hon. Mr. Brandt: Mr. Chairman, prior to Dr. Chant officially beginning his statement, I just want to advise the committee that I tabled the annual report of the Ontario Waste Management Corp. with the Clerk of the House today. Because it has not been circulated to the members, I would ask staff if they would circulate copies of that report to the committee members so they will have that available. There may be some reference points that Dr. Chant will discuss that you may want to look up in that report as well.

I will defer now to Dr. Chant.

Mr. Elston: Were these reports available last week?

Hon. Mr. Brandt: No. Dr. Chant, when would those reports have been available? I just tabled them today.

Dr. Chant: They were tabled today.

Hon. Mr. Brandt: I do not want to mislead the honourable member.

Mr. Elston: I guess the question is, when were they printed?

Mr. Chairman: The ink is still wet on my copy, Mr. Elston.

Dr. Chant: They were certainly printed some weeks ago, prior to being tabled in the House by the minister today.

Mr. Elston: It seems to me that since you are here today, it might have been of assistance to us if we had had these at least two or three days ago, or something like that, so we could have gone through them.

Dr. Chant: We are captives of the system. When they are tabled in the House, they become public documents. I remind members, though, with respect, that this annual report is not for the year we are talking about today; it is for 1983-84.

Mr. Chairman: For 1983-84, right.

Hon. Mr. Brandt: I might add that they would not even have been here today if the staff had not expedited the whole process, along with the tabling, to make sure they were here for distribution now. We are trying to be helpful in our own fashion. We know you appreciate that occasionally we have logistical problems, somewhat similar to those problems you had getting here on time just a few moments ago.

Mr. Elston: Actually, when it comes to logistical problems, I realize there are difficulties which the minister faces. If something has been printed for several weeks, as Dr. Chant has indicated, it seems to me that a minister who cannot expedite the tabling of a report in the course of several weeks ought to consider some way of speeding up the logistical programs inside his ministry. Perhaps that is something he can take under advisement.

Mr. Chairman: Now that the plaudits have been handed back and forth between the minister and the critic of the official opposition, perhaps, Dr. Chant, we could turn it over to you to bring us your remarks.

Dr. Chant: Thank you, Mr. Chairman. As a last word on the previous topic, I hope, may I just say that if any members do have any questions about the annual report for 1983-84, which is before you, I hope they will give me or Michael Scott a call. We will try to explain or answer any questions they might have.

Mr. Chairman: Thank you very much.

Dr. Chant: First, I would like to introduce three of the staff members of the Ontario Waste Management Corp. who are with me tonight.

Mr. Lorne Bentley is our relatively new director of administration and finance. If any members of the committee want to get into great detail on the finances, I will, with your agreement, Mr. Chairman, refer those questions to Mr. Bentley.

Michael Scott, who has accompanied me to this committee on previous occasions, is our

director of communications, and Mrs. Beth Benson is my executive assistant as well as secretary of the board of directors of the corporation.

With your indulgence, Mr. Chairman, I have a few introductory remarks that I would like to make. Then I would be more than pleased to answer questions or engage in discussion with the members of your committee.

I would like to thank you and the members of this committee for providing me with an opportunity again this year to report on the work of the Ontario Waste Management Corp. in connection with the 1984-85 spending estimates.

When I met with this committee a year ago, I reviewed in some detail the various programs of the corporation, including our work on waste quantities with the ministry, our programs in the waste reduction area and our plans for the recruitment of engineering firms to assist us in the design of our facilities.

I would be happy to review our progress in each of these areas with members of the committee this evening, but in these brief opening remarks I would like to focus my comments on the most important and controversial part of our job: the selection of sites for the location of waste treatment facilities.

In a nutshell, as most members of the committee know, we are now examining eight candidate sites, which we announced last March. They are all in the Golden Horseshoe, where 70 to 80 per cent of the waste generated in Ontario each year is concentrated. That examination, including deep drilling on all eight sites, will take several more months to complete and will result in the identification of a preferred site or sites. Following further even more detailed studies of the preferred site or sites, we will submit our proposals to the hearing panel on industrial waste management, which I think all members know has been appointed by cabinet and stands ready and willing to hear our proposal when we are ready to come forward.

The announcement of these eight candidate sites obviously raised the temperature level in the communities involved. We all expected this and understand why it has occurred. Some would call it the not-in-my-backyard syndrome. Others would call it informed reaction. Whatever the reasons, we need to talk about these issues tonight, the controversy that lies ahead and what this means to all of us in this room and indeed to all of us in the province.

As members of this committee know, the selection of the eight candidate sites last March

was the result of the step-by-step process that began in November 1981, when we rejected the South Cayuga site. Since then, we have evaluated more than 150 possible sites, using literally hundreds of environmental factors. We have met with more than 500 groups and organizations, with more than 300 meetings in the past year alone.

More recently, we have met with 400 individuals and families who live on or immediately adjacent to each of the eight candidate sites that we have announced. We have met with these people to learn more about the sites from them directly, more about the surrounding communities and the possible effects on a community if it were established in that area. We will be continuing these discussions in workshops, seminars and meetings to be scheduled in the coming months before the preferred site is selected and announced.

All these efforts are essential if we are to conduct an open and thorough process. I believe the process we are following is the most thorough anywhere in existence for the selection of sites for hazardous waste treatment facilities. I have personally looked at these processes in other provinces, notably in Alberta and British Columbia, in American states and most recently last week in some of the countries in western Europe. I think ours is the most thorough, the most detailed and the most professional.

As we complete each step, I am more and more convinced that we are heading in the right direction and that Ontario will have properly sized and the most modern and effective treatment facilities in a safe location following a process that is both fair and thorough.

As I have often said, we are not running a popularity contest. I agreed to take on this job late in 1980 because I believed then that we faced a serious environmental problem because of the absence of proper industrial waste treatment facilities in Ontario, a problem that must and can be solved. I still believe that today. I believe the government of Ontario believes that today, as witness the creation of the Ontario Waste Management Corp. in 1981.

Finding safe sites is clearly OWMC's responsibility. At the same time, we know we cannot go it alone. We need the understanding of public officials and of members of this Legislature in getting the message across throughout the province that we face a serious problem that simply has to be solved. I know members of this committee share that view, and I have had little

difficulty in convincing the many public groups with whom we have met of these facts.

However, I am not certain that citizens right across this province either appreciate or fully understand the nature of the industrial waste problem that we face.

I am referring to the literally thousands of small-to-medium-sized plants and factories in Ontario, just down the street or around the corner, that do not have the capital or the expertise to construct and manage their own hazardous waste treatment facilities. In the neighbourhood of 16,000 small-and-medium-sized businesses in Ontario are producing some amount of hazardous waste and lack the capital and technical expertise to be able to handle the problem on their own.

Even if they could handle the problem on their own, it would make no sense to have thousands of waste treatment plants scattered in small-and-medium-sized businesses across the province. Policing them would be a nightmare. That is not our job, that is the job of the ministry; but I would have enormous sympathy with the ministry if they had to police thousands of small waste treatment plants scattered across the province.

8:20 p.m.

Decades ago, we realized that sewage could no longer be handled adequately by myriads of outhouses or septic tanks in this province. We created central treatment plants to meet a social and environmental need. Today we realize that the same approach is required for industrial wastes.

Many of these plants are discharging toxic waste directly into our sewage systems or into dumps that are not properly engineered to handle this material. For most of them, they have no choice at the moment and they are doing so legally. When the public of Ontario appreciates the extent of this problem, I believe there may be a greater resolve to come to grips with it, a resolve that was shown by the Legislature when it created OWMC in 1981.

Quite frankly, I do not believe there is enough interest in the issue of what OWMC is doing, other than in the eight communities where we have now focused the site selection process. As we have narrowed our focus, more and more communities seem to believe the problem is no longer of concern to them: OWMC has moved on and they are "safe."

This is understandable. It would be unfair simply to blame this on apathy. It is more a case of priorities. These days, we are all concerned about unemployment, housing, health care and

education, to name but a few of the crucial issues affecting our everyday lives.

But we cannot put environmental issues on the back burner or leave them to the communities on which OWMC is now focused. The evidence is clearly before us now that action is needed. Our citizens not only will support actions to deal with this challenge but will demand it—and I think they have demanded it—once there is a greater appreciation of what we are up against.

At OWMC, we are attempting to raise this awareness. At the beginning of our process of developing and siting treatment facilities, we held a series of seminars across southern Ontario in conjunction with the Association of Municipalities of Ontario. In the coming months, we will be repeating these efforts and scheduling information meetings and workshops in all parts of the province. At these meetings, we will be discussing the issue of hazardous waste, the nature of the problem we face and how we are attempting to tackle it at OWMC.

We have also asked the Federation of Ontario Naturalists to work with us in the creation of a hazardous waste education kit, which will be placed in high schools and used as the basis for classroom instruction on the nature and extent of hazardous wastes and the solutions that are available. I am tremendously encouraged by the number of meetings the Federation of Ontario Naturalists and OWMC have had with teachers and school officials across the province and their reaction to this kit. Obviously it is needed. It will be an important step towards increasing awareness of these issues in our schools. I might add that the week after next I am addressing the annual meeting of the Science Teachers' Association of Ontario on the issue of hazardous waste as part of this educational undertaking.

The essence of what I hope is my message to you tonight is that we need your help as elected representatives in the communities you represent. Your constituents may not know that when we talk about hazardous wastes we are talking about solvents from the dry cleaner on the corner, chemicals from the camera shop that develops our family snapshots and the paint and varnish that we all store in our basements. These are not huge industries, miles or cities away. They are not simply the large industries of the province either, which by and large have the capital and expertise to manage their own wastes, and they are doing so. They are our neighbours.

Many people think this is someone else's problem, one that should be solved either at Queen's Park or in remote locations of the

province. I can understand some of these reactions, which are based in part on fear of the technology involved and the belief that somehow the industries of Ontario are the villains.

I have had real difficulty with some of the reactions we encountered to our work. One specific example comes to mind. Last June, the mayor of Niagara Falls, New York, indicated in a scheduled press conference with the mayor of Niagara Falls, Ontario, that he wanted nothing to do with an industrial waste treatment facility near his community in New York state, calling the possibility of OWMC siting its facility in the Niagara Falls area a "Johnny-on-the-spot in a rose garden."

As an environmentalist, but mostly just as a citizen of Ontario, I was outraged then, and I still am now, over those remarks by the mayor of Niagara Falls, New York. If there is one place in all of North America that has vividly illustrated the need for proper treatment facilities it is his own community, in which both the Love Canal and Hyde Park dumps are located. Here was the mayor of Niagara Falls, New York, telling the people of Ontario that he wanted nothing to do with a world-class hazardous waste treatment facility in or near his own polluted backyard. Frankly, I think he owes the people of Ontario an apology.

I also believe that OWMC must continue in its efforts to consult with all parties involved, particularly those who will be most directly affected by our facilities, before we submit our proposals to the hearing panel on industrial waste management. That is why we will continue to work closely with these communities, recognizing that local opposition is inevitable.

The corporation has a big job to do. No doubt you will continue to read about the large, noisy meetings that I frequently attend. This is my job and I am approaching it as directly and openly as I can. However, I need your help and that of all your members in continually reminding the rest of the province why we must solve this environmental problem soon.

I have focused my opening remarks on this issue because I believe now is the time to raise it directly with members of this committee. I realize that members also have an interest in other work of the corporation and, with that in mind, I will stop here. I would be happy to answer any questions you might have.

Mr. Chairman: Thank you, Dr. Chant. Are there any questions of the doctor? Mr. Elston?

Mr. Elston: Thank you very much, Mr. Chairman. I do apologize. As the minister

indicated, I was somewhat late, but I see I have not held up the discussion too much.

There are several questions I would like to examine. We do not have a whole lot of extra information in front of us that we can really discuss with Dr. Chant, nothing that is really too hard and fast.

We may have several questions as a result of remarks we made last year and discussions we undertook at that point with respect to questions unravelling the mystery of the amounts of industrial waste and the types of design needed to deal with the disposal of industrial waste.

Dr. Chant's remarks—diplomatically, perhaps—steered clear of some of those areas of difficulty that he had with the ministry last year. I particularly remember, for instance, dealing with the questions of deviation, if I might call it that, between himself and the ministry with respect to the amounts of industrial waste that were generated in Ontario and the amounts of industrial waste being imported into Ontario for final disposition here.

There are also questions of deviation between him and the ministry with respect to the types and volumes of material that are hauled here in Ontario, and I think he has, for one reason or another, perhaps steered clear of those issues at this point.

I know there are particular issues that we wish to examine in terms of the volumes of materials he is designing his facility to deal with, and the types of activities with which his corporation will have to deal in terms of disposing chemicals, both those generated here in Ontario and those that are imported.

That is a particularly important issue with which we must deal in this committee because, when we look at his estimates, the amount of money set aside for the Ontario Waste Management Corp. is—and I am going from memory—somewhere around \$1.5 million less this year than he spent last year. If I am wrong, I stand to be corrected on that.

It seems to me this is a topic that has been going on for so long now—since at least 1980-81, when I came in here—and is so important, that we must keep up on the actual expenditures with respect to those that are budgeted. I think Dr. Chant ought to comment on those points.

8:30 p.m.

When he deals with the volumes of materials that are generated, he should probably also tell us what he feels the actual time frame is for dealing with the problem, because we have, in the last three years, come up with various comments

from him, from the minister and from the Premier (Mr. Davis) as to how much of an emergency the ultimate solution is. We should perhaps find out from Dr. Chant exactly what his best expectation is with respect to the final solution which he is working on at this point.

There are certain issues that always come to mind. I think Dr. Chant was unnecessarily involved in defending some decisions with respect to expenditures of moneys internally last year. He should tell us exactly what some of his program expenses are going to be this year; for instance, the expenditure of lease moneys. I think I saw somewhere that it is almost \$360,000 for a lease per year for accommodation. When we are dealing with a budget of just over \$500 million—

Dr. Chant: Five hundred million dollars?

Mr. Elston: I am sorry, \$5 million. I apologize for that. If he were getting \$500 million the minister would fall off his stool.

With \$5 million, that \$360,000 becomes a sizeable portion of his estimate.

As well, one of the questions that has really concerned me most is the fact that when we consider there has been, at least publicly, a problem in deciding what amounts of waste we are dealing with, I do not feel that we know—I do not know—exactly how you can come up with a decision on what type of a rotary kiln will be needed, what size, what specifications. I do not know how you can determine what size the landfill site is going to be. I do not know how you can decide what size the chemical plant is going to be for the volumes of materials you are going to treat.

There seems to me, over the long haul, to be a great deal of individual pieces of information which just do not seem to be available to the citizen who is concerned about the type of structure that is going to be in place. It may be that I have not been in a position to receive the information.

I am the critic for the official opposition but for some reason I may not have been in a position to receive the type of information that allows me to see that you have reached a point of defining the total size of the problem that allows you to proceed to determine the actual size of your plant, that then would allow us to go on to determine the actual size of the expenditures that are needed; yet that probably has to be the first area of definition for the Ontario Waste Management Corp.

If there is a problem between the OWMC and the Ontario Ministry of the Environment in

defining that, it ought to be set out in front of the committee members this evening so we can come to a conclusion about your budget. If there is any problem at all in coming up with the optimum solution for dealing with the waste management of this province, it ought to come in front of this committee so we can put questions to this minister, whom I found to be very generous indeed with respect to dealing with particular problems of public interest of this sort, so we can then perhaps change the budget for this corporation.

As this minister has said, and as you have said Dr. Chant, the primary concern of the people of Ontario has to be, and is, I think, without a doubt, the concern that we will find the best solution for disposal of those products that we cannot use in any other fashion. So if there is a problem in that definition in size of problem, in size of plant, in size of landfill, in size of chemical treatment facility, that ought to come out tonight.

I will go on here and leave you with a whole series of questions. I know you are going to have an indication that all of these questions have been answered by the Minister of the Environment, that you have an adequate budget and the whole works. I know the minister, who is listening intently, is going to provide that extra information and extra money that is going to be required for this optimum solution in the province.

Hon. Mr. Brandt: Not to throw you off—when you are on a roll I like you to keep going, but—

Mr. Elston: I do not mind you interrupting because, to be quite honest—

Hon. Mr. Brandt: I do not want to miss these questions, that is the only thing.

Mr. Elston: I do not mind the minister stepping in and saying that whenever the head of the Ontario Waste Management Corp. requires money, he is going to step in and provide it, or if he is going to say to us that whenever there is a difficulty in determining the definition of the size of the problem, the size of the plant, the size of the landfill or the size of the chemical treatment plant, he will come in and provide the extra money that is required.

I do not see that this is going to cause us any real concern, but I still sense there is difficulty in determining the actual definition of the problem.

Dr. Chant: I wonder, Mr. Chairman, if I might be allowed to reply. I would prefer to reply rather than having the minister reply, quite frankly.

Mr. Elston: So would the minister.

Hon. Mr. Brandt: Perhaps I will embellish it at some later point.

Dr. Chant: You have asked many questions and I would like to range over them. I can say with considerable honesty, total honesty, that the relationships and co-operation between the ministry and the corporation are excellent.

Mr. Elston: I do not question for an instant that you are having difficulties in public relations or in relations between the ministry and the corporation.

Dr. Chant: That was not the thrust of your question. The thrust of the question was, basically, were we agreeing on quantities and capacities, and were we getting enough money.

Mr. Elston: Tell me, particularly, are you in agreement on the size of the problem?

Dr. Chant: Yes, I think I can say that with total assurance.

Mr. Elston: What is the magnitude of that problem?

Dr. Chant: The key thing is the capacity of the treatment facilities that we have been charged with building—siting and constructing this building.

Mr. Elston: What size is it?

Dr. Chant: It is 150,000 tonnes per year; 30,000 tonnes in a rotary kiln and 50,000 tonnes on a one-shift physical-chemical treatment plant for inorganic wastes, with a possibility of raising that to 120,000 tonnes on a three-shift capacity basis. So, 120,000 phys-chem inorganic, plus 30,000 tonnes organic rotary kiln, equals 150,000 tonnes.

Mr. Elston: How did you come to that?

Dr. Chant: By almost intuitive ways, in some respects.

Mr. Elston: Is that a sort of guess?

Dr. Chant: It is a sort of guess, but it is an informed guess on the basis of the best estimates we can get from our consultants on waste quantities, experiences elsewhere and this kind of thing. You may recall that our board, very early on, determined a couple of very basic, important principles that guide our whole deliberation on capacity.

The first is—and it sounds almost kindergarten-like, but it is not when you think about it—our board said, “Do not build too big,” because most of the European experience was that of building too big and having a number of years before capacity was realized, with a waste of capital. “Do not build too small,” because you want to be

able to make a measurable first impact on the problem in Ontario.

Second, they said, “Build flexible, so that you can expand in various directions as you get a real world experience with the customers who are bringing waste to your gate,” as distinct from all the estimates that can be made in the world prior to us being in operation and in business.

Our estimates were of something in the order of 400,000 tonnes of industrial waste in Ontario that are not being treated to the degree now available through the world’s best proven technology. I think you have heard me give parts of this speech before. We know we will never, even in the most ideal situation, get every ounce of waste that requires treatment.

Our decision, therefore, was to build a bit on the small side, but to build in that flexibility, the modular approach, so that we can add to these treatment facilities as we test the market over the first few years of operation.

8:40 p.m.

That brings us—as a result, also, of the work we have done on estimating waste quantities being generated in Ontario during these 1,000 interviews that we conducted in industry and so on, and the European experience—to the 150,000 tonnes, composed, as I said, of 30,000 tonnes organic disposal facilities with high-temperature rotary kiln, 50,000 tonnes capacity in the phys-chem plant, with the opportunity of raising that to 120,000 tonnes on a three-shift basis.

We have seen plants that do this. Last week I saw a physical-chemical plant in Frankfurt, within the state of Hessen, with a waste treatment disposal corporation that is kind of a crown corporation. It is a beautiful plant, operating at about that 50,000-tonne capacity on a one-shift basis.

Mr. Elston: That is the first time you have seen that?

Dr. Chant: The first time I have seen that one, yes. In fact, it is the first time any of us has seen it. It is part of an integrated facility they have in Hessen, of twin rotary kilns in Biebesheim, the phys-chem plant in the outskirts of Frankfurt and the engineered landfill in a place called Mainlingen.

This is just a model of a phys-chem plant of exactly the same size that we are looking for. It has been operating for six years now, since 1978.

Mr. Elston: Is it still state of the art?

Dr. Chant: It is still state of the art. It is a first-rate plant. I am not a chemical engineer, but I would rate it the best I have seen anywhere as

far as flexibility, modular approach and the degree of treatment provided for those wastes.

We have arrived at that capacity. I cannot speak for the minister or, indeed, for the ministry, but I think it is safe to say we have arrived at common ground on that opening capacity. There are some details that may differ a little bit between the ministry and us as to how we think the wastes are composed.

Mr. Elston: You have made a particularly interesting statement; that is, the "opening capacity." Have you also come to agreement on the ultimate volume of material you have to deal with?

Dr. Chant: Do you mean past the opening? No, we have not even agreed internally on what that might be.

Mr. Elston: So you still really do not know what volumes of material in Ontario—

Dr. Chant: Ultimately? No, because we have to open a facility and test the market. The one message we get from everybody who is in this business, from Quebec to all of the places in Europe that we visited, is no matter what studies you do up front, you will never really know until the day you open for business and you have customers coming in with tankfuls of real waste.

The solid component will not be quite what you thought it would be. The mix of streams of wastes will not be quite what you thought they would be. Hence, the importance of those two basic principles that our board established so long ago: not too big, not too small, and very flexible.

Mr. Elston: If I understand you correctly from days gone by, I understood you to tell the committee that the study into the location and the siting of this facility was based upon not only the suitability of the area in terms of containment and otherwise, but also upon the whole idea that you had some basic determination of the volumes of material that were going to be generated.

I understood last year, and I could be wrong, one of the main difficulties was that the ministry had determined the definition of the amounts of waste which you were going to be treating was considerably different from the volumes of waste that you as a corporation had determined you would be treating. I guess I must have been out of sync somehow, but perhaps I misunderstood that if you were going to be treating a certain quantity by incineration, you would have to know within a reasonable amount how much you were going to be burning so that you could determine the atmospheric pressure and all that sort of stuff.

Dr. Chant: That is 30,000 tonnes.

Mr. Elston: You have decided that is what the market will provide you now.

Dr. Chant: Initially, yes.

Mr. Elston: Do I also understand that you do not know at this point, until you start producing, whether 30,000 tonnes is the amount you will be treating? Somehow you will be setting up a facility that may not be suitable to deal with the volume of material to be treated.

Dr. Chant: There is no question about the suitability of the rotary kiln.

Mr. Elston: I am not talking about the rotary kiln.

Dr. Chant: We will test the market. We are confident that within a very short period of time that kiln will be treating 30,000 tonnes a year. That is what it is designed for.

Mr. Elston: But will there be more than that?

Dr. Chant: There may well be more, in which case we add a second kiln, which is what they have done in Germany. We could add a second kiln within about 14 months after testing the market.

Mr. Elston: If you add a second kiln, does that undermine the basis of your determination with respect to the dissolution, or at least the determination of the atmospheric pressure, the burning qualities in that area?

Dr. Chant: No. Since the beginning we have said that our opening capacity is 150,000 tonnes, given the caveats I have mentioned about testing the market and so on. Our whole siting procedure is based on the assumption that it will ultimately be 350,000 tonnes.

To reach a capacity of that kind—

Mr. Elston: Is that "tonnes"?

Dr. Chant: Tonnes. Having tested the market, it will be many years before we reach that capacity, but our whole site selection process—the size of the landfill, wanting 25 to 30 years' life, the atmospherics with regard to the rotary kiln, the traffic densities and this kind of thing—is based on the 350,000-tonne level, on the assumption that we start at 150,000 but are planning for the higher figure.

We do not deal then with a traffic volume at 150,000 tonnes; we try to measure the impact of traffic volume on the community at the 350,000-tonne level.

Mr. Elston: That is from the initial startup?

Dr. Chant: Yes. If that is what is aimed for at some time in the future, that is how we measure

the impact on the community; in the higher terms.

Mr. Elston: I guess I have to say to the committee, to the chairman and then obviously to the minister and on to Dr. Chant, that it seems to me that the definition of the problem has really not yet been established. I think you have come to a consensus of what you want to start up at, but that you have avoided the very difficult question of the exact definition of the problem we are getting into.

It seems to me that this is perhaps the first start. I do not know. It seems to me that when you are going to be locating this particular site, in dealing with the question of ultimate lifetime, whether you are dealing with 150,000 tonnes or 350,000 tonnes—

Dr. Chant: We are planning for 350,000. How can you criticize that?

Mr. Elston: You are planning. However, I asked the question not too many minutes ago, of whether you are starting at the premise that you are dealing with 350,000 tonnes from the beginning. If you are dealing with 350,000 tonnes from the startup, and the life expectancy for your site is 25 to 30 years, then that is somewhat different from dealing with 150,000 tonnes to commence.

Dr. Chant: As I am trying to explain, the whole calculation of impact and acreage—the two important variables in this—is predicated from the very beginning on 350,000 tonnes.

Mr. Elston: From the start?

Dr. Chant: From the start. We know it will not be that high from the start, but if you want to measure the impact on the community for the lifetime of a landfill, you have to plan for the higher figure whenever you may achieve it. In year 1 or year 10, it does not matter.

Mr. Elston: So are you dealing with the disposition of 350,000 tonnes of material from 1987, which was your original projection for the beginning of this?

Dr. Chant: No, we are not building to cope with 350,000 tonnes from the start. We are building for the 350,000 tonnes annually, being the measure of the impact—

Mr. Elston: When? Starting when?

Dr. Chant: It does not matter. When you are measuring impact on the community, it does not matter whether it is year 1 or year 5.

Mr. Elston: If you have a landfill, does it not matter whether you are disposing of the results of 350,000 tonnes?

Dr. Chant: Yes, but the landfill, as I explained, is predicated on 350,000 tonnes per year, with a 25-year lifetime.

Mr. Elston: From when?

Dr. Chant: If we do not reach the 350,000 tonnes until year 10, then we have a 35-year lifetime. What difference does it make? We are planning for the highest capacity.

Mr. Elston: It makes a big difference to me if I own a farm which is on the edge of this site, or if I own some property I expect to develop on the edge of this site. It seems to me that it is a difference of almost three times the magnitude, whether we are dealing with the disposition of 150,000 tonnes or 350,000 tonnes.

Dr. Chant: As I say, we are planning for the 350,000, which gives us the largest acreage requirement, given the lifetime that we are planning for. If you live on our fringes, the news to you is that we are planning for 350,000 tonnes annually for a 25- to 30-year lifetime, which gives us a large acreage requirement.

Mr. Elston: Starting when?

Dr. Chant: I am sorry. It does not matter when it starts. You are measuring the annual impact.

Mr. Elston: It seems to me that if you are disposing of 350,000 tonnes of waste, if you start in year 5 or year 10, you require less acreage over the lifetime of the site than if you start at year 1.
8:50 p.m.

Dr. Chant: There are several variables in determining the size of the landfill. The two major ones are the depth that you can build it, because the deeper it is, the longer life you get. The second is acreage.

If we are planning an acreage for 350,000 tonnes, pretending that from year 1 that is what we get, then we arrive at a certain acreage for a 25- to 30-year lifetime. If we do not reach that 350,000 tonnes, let us say for five years for the sake of argument, then we have extended the lifetime of the landfill to 30 to 35 years, to the benefit of everybody.

Mr. Elston: I agree with that. What you are saying to me is that if you do not start up with 350,000 tonnes immediately—

Dr. Chant: You extend the life.

Mr. Elston: —then either you dig deeper or you extend the life. What I am asking you is, how do you determine the amount of acreage required? How do you determine the size of the incineration plant? How do you decide about the physical-chemical plant?

Dr. Chant: Those are very different questions. The acreage for the landfill is decided on the assumption, which we know is not correct, that we would be starting the first year of life at 350,000 tonnes. That gives us the biggest acreage requirement—the worst news, if you want, for the community.

For the incinerator and for the landfill, we plan the impact on the community in terms of trucks for the phys-chem plant, air emissions for the incinerator, noise and so on, on the basis of ultimately reaching 350,000. That would be the maximum impact.

It does not really matter whether the maximum impact occurs in year 1 or year X because we have planned for the heaviest impact, the most impact on the community. If we planned for a lesser impact, we would be deluding people, ourselves and you, quite frankly.

Mr. Elston: Is it fair to say that you really do not have any idea what level of waste generation you are going to be dealing with in the first year?

Dr. Chant: No, I do not think it is at all fair to say that we do not have any idea.

Mr. Elston: You are starting off with a minimum, or at least a level, of 150,000 tonnes.

Dr. Chant: That is correct.

Mr. Elston: You have determined somehow, by consensus, that is the level you are going to deal with in the first year; other than that, you really do not know, or at least you cannot agree.

Dr. Chant: It is not a question of agreeing with the ministry at all. The message we get from every waste treater that we have visited—and we have visited dozens, from Japan to Sweden and everything in between—is that you can do all the studies you want beforehand; they help a great deal in trying to determine the kinds of wastes you are going to have to treat, which determines your selection of technology for treatment, and the amounts, which determines your capacity.

Given that, you will never really know until the day you start business and your clients line up and say, "Hey, we are coming to you as customers." But you do all the planning you can.

They are the best statistics that anybody has got. The Europeans stand in awe of the studies we have done on waste generation in Ontario and on the kinds of wastes, the waste characteristics, the waste streams and this kind of thing, but everybody knows that you do not know until the day or the year that you start in business.

We take the best data we have and we make our decisions on those bases. I have to remind you again of those two principles of the board.

Do not build too small and do not build too large, and build for flexibility, so that as you test the market in the real world and you can add components as new needs become obvious. Those new needs will become obvious only when you have tested the marketplace and really got your feet wet.

I would defend the studies that have been done and the information we have on waste quantities and waste characteristics. I think they are the best any jurisdiction in the world has been able to put together, short of operating a plant. That is what will move us into the real world.

Mr. Elston: Mr. Chairman, I have to indicate to you my concern over the fact that at this stage, in 1984, we still do not have a definition of the size of the difficulty we are dealing with.

It is a concern to me as a member of the opposition. It has to be a concern to the Minister of the Environment, who is directly involved in this in terms of trying to provide a budget for probably the most important portion of his ministry, namely, that of the disposition of toxic waste in Ontario.

Somehow or other we are no further ahead now, almost four years removed from the decision to go to South Cayuga. We are almost no further ahead in terms of defining the difficulty we are in. I do not want to prolong this because I know my colleague from the New Democratic Party probably wants to jump in. Also, the minister probably wants to jump in on this.

However, it concerns me no end that what we have come up with at this particular point is somehow a consensus between the ministry and a crown corporation as to the size of the problem and that we probably will end up with some kind of a program which will be flexible enough, in terms of Dr. Chant's material to us today, either to add or subtract from; to be flexible enough to take into account any number of extra additives to the situation.

It seems to me we are not dealing with the real-life difficulties perceived by those people who have to deal with the question of having a waste site located in their area. I am not faulting Dr. Chant in this; I do not want to do that. Maybe it is a problem that is so imprecise we cannot get at it. Maybe it is so imprecise the ministry cannot provide him with any more assistance from the waybill system or from anything else.

However, I ask you, Mr. Chairman, and through you the Minister of the Environment, Dr. Chant and all of these people who are sitting here this evening, if we do not know what in the

devil we are dealing with, how in the dickens can we tell the people honestly in West Lincoln, Niagara Falls, the riding of Halton-Burlington or the riding of Brampton that we require X number of acres, such a size of incinerator or such a physical-chemical treatment facility to deal with such a problem? How can we honestly face those people and tell them their entire area or a particular part of their area is going to be required for the disposal of this material?

Last year when I was here and prior to that, it seems to me we were going to come up with a definition of the extent of the difficulty.

Dr. Chant: With respect, we have.

Mr. Elston: No, you have not.

Dr. Chant: Yes, we have.

Mr. Elston: You have told me you are going to start out with 150,000 tons capacity, by consensus.

Dr. Chant: No, I did not say "by consensus." I said we were going to start out at 150,000 tons. I gave you a rationale. I said it so happens over a year of intensive work with the ministry, through the liaison committee, the ministry agrees with that initial capacity.

Mr. Elston: With respect, I asked you how you came up with that decision. You have not told me anything about how you came up with that decision.

Dr. Chant: We came up with that decision by doing a study of the waste generation from 20,000 industries in Ontario. Think about that for a moment, Mr. Elston, 20,000 industries, from two-person operations to 10,000-person operations. We did a very intensive survey of 1,000 of those in two lots, the first 500 of which have been reported to you.

Mr. Elston: Is that 1,000 out of 20,000?

Dr. Chant: It is 1,000 out of 20,000. It is representative of all the kinds of industry we have in Ontario and representative of the small to the large. Together with our consultants, we have gone out to those people with questionnaires. We have constructed models saying if this plant with 50 employees producing widgets in Peterborough has a counterpart in Windsor with 10 employees producing the same widgets, we can make the extension of the waste they are generating because we know of nothing different in their processes.

Mr. Elston: It is very imprecise.

Dr. Chant: It is a very sophisticated method.

Mr. Elston: You take a lot for granted.

Dr. Chant: What more can you do? You cannot interview 20,000 industries. It is a very sophisticated method and I have the model for that.

Mr. Elston: All I want to say to you is this: I apologize if I was mistaken, but I was under the impression that this whole exercise, which was being headed by you, was undertaken from the point of view that you were going to determine beyond—certainly not a shadow of a doubt—but beyond a doubt, the volumes of material which were to be generated per year in Ontario and which were to be disposed of in Ontario.

9 p.m.

I took it that part of the difficulty the ministry was trying to get away from was the political angle of this whole determination. You were to take it away from the public forum and do a scientific analysis. Then we would come up with some type of hard and fast analysis of what the problem was. I guess I would have to say to you that I am disappointed.

Dr. Chant: We have the best statistics in the world. This is generally acknowledged.

Mr. Elston: You may have the best statistics, but from what you have told me, it does not seem to me that you are any closer really to defining the extent of this problem.

Dr. Chant: I am personally completely confident that 150,000 tonnes of opening capacity, as I have indicated, is realistic and treads the fine line between spending capital which is unutilized and building so small that it makes no impact on the problem.

Mr. Elston: When do you go to 350,000 tonnes?

Dr. Chant: We go to 350,000 tonnes as we test the market. As everybody in the world tells us, you will not really know what you are going to get until you test the market. You build it on a modular basis.

Mr. Elston: Do you believe that 350,000 tonnes is your optimum?

Dr. Chant: It is as far as any realistic planning horizon is concerned. If you ask me about 50 years from now, I have not the faintest idea and neither does anybody else.

Mr. Elston: When do you go to 350,000 tonnes?

Dr. Chant: I have not the faintest idea. We go to 350,000 tonnes as we test the market.

Mr. Elston: So you have no idea what the definition of this problem is.

Mr. Charlton: We are running into a brick wall here. Perhaps Mr. Elston would allow me to take a slightly different approach to this questioning. Then he could come back in.

Mr. Elston: The New Democratic Party obviously takes a different approach to the whole problem. Perhaps what I should do is move on to some of my other questions. Then Mr. Charlton can get in on those.

Mr. Charlton: I wanted to get in on this specific question.

Hon. Mr. Brandt: I would like to as well, immediately following Mr. Charlton. I deferred to Mr. Charlton in deference to the fact that he was following on the remarks of Mr. Elston. However, I would also like to discuss the preciseness with which you wish this question answered and to give you some of the variables which I think will make a great deal of sense, even though you arrived late.

Mr. Elston: To be quite honest, perhaps the lateness of my arrival does not have anything to do with the context of the discussion of this problem. The discussion of this problem is whether or not the amount of waste generated in this province has anything to do with determining the amount of facilities available for disposition.

Hon. Mr. Brandt: I think we have gone through that. With all due respect, Mr. Charlton wants to comment on that and I do as well.

Mr. Elston: I think it was your introduction of the question of lateness which caused me some concern.

Hon. Mr. Brandt: I did that somewhat with tongue in cheek. I will defer to Mr. Charlton.

Mr. Chairman: Perhaps Mr. Charlton will follow the supplementaries.

Mr. Charlton: So that we can get the discussion past the impasse it seems to have reached four times, did I hear Dr. Chant say that it was his determination that approximately 400,000 tonnes of waste in the province are not being adequately treated?

Dr. Chant: That is correct.

Mr. Charlton: Is it fair to say that this is the extent of the problem?

Dr. Chant: It is, but you have to accept a couple of reservations on that. First, there is more and more treatment going on at the generator.

Mr. Charlton: That is what I was just going to come to.

Dr. Chant: Second, there is more and more research.

Mr. Charlton: Let us talk about the first one for a few moments.

The extent of the the industrial waste problem which is not being adequately treated at present is 400,000 tonnes. You are designing facilities that would have a potential capacity of 350,000 tonnes, but they are initially being built to accommodate 150,000 tonnes, on the assumption that the maximum amount you will likely have to deal with in the foreseeable future will be 350,000 tonnes.

From discussions we have had in the past, both here and in briefings from the corporation, I would assume it is quite likely that you will never reach the 350,000 tonnes because of onsite treatment, recycling, other waste handlers in the province expanding their facilities in southwestern Ontario or wherever the case happens to be, and a number of process changes that will go on in industry and a number of other things that will result.

It is quite likely that potentially, in the foreseeable future, you may never reach the 350,000 tonnes, although in the more distant future as our economy expands, we hope, the situation may change in total; but that is a much longer-term perspective.

Is that a fair analysis of what you are saying? Is that the difference between the determination that we have a problem of 400,000 tonnes which is not being adequately treated at present, your startup with 150,000 tonnes and your planning for a maximum of 350,000 tonnes? Whether you reach that will depend on the other things that occur around the province.

Dr. Chant: That is exactly right. We already know that the amounts of waste generated and their character are changing because of changing circumstances. The economic downturn of recent years has reduced the gross amount.

One of the things we have learned from Europe, which bears directly on the point the member has made, is that once facilities are in place and real costs are being assigned to treatment of waste being generated, the first thing that happens is the water content of the waste starts coming down. It is easiest—it is not easy, but it is easiest—for the generator to reduce water content and therefore reduce the tonnage and thus reduce the cost of treatment. That is a variable that works very effectively.

Mr. Elston: What percentage reduction can you expect that to be?

Dr. Chant: Nobody knows what the percentages are. Seventy per cent of the waste in Ontario is water; so if one wanted to be theoretical, one

could say it could be reduced by 70 per cent and we would get nothing but solid waste. That will never happen. We know that will never happen, no matter what policies the government has or what policies we have. We will never reach that ideal.

Other people have said 70 per cent of the waste in Ontario could be recycled. In the abstract—wearing a hat as a university professor, which I very rarely have the indulgence to do these days—theoretically 70 per cent of the waste in Ontario could be recycled. But I am realistic enough to know that it never will be, no matter what the incentives are and what the laws are. Human nature is at work here.

We know the potential for reducing the water content and for increasing the recyclability of these wastes is there and it is being realized more and more as each day and each year goes by. But to be a little absurd in addressing Mr. Elston's comments earlier, if we built an opening capacity of 350,000 tonnes because of the forces that are in operation, as has been mentioned by the New Democratic Party member, we would never realize full capacity, I believe.

I do not think we ever will reach 350,000 tonnes; but in fairness to the citizens who live around the sites that we are looking at, we have to plan for that larger number because that is planning for the maximum impact. That is what people are interested in; they are not interested in tiny little impacts, because we do not think there is much waste. They are interested in us planning for the heaviest impact and then making our judgements about the suitability of sites on that basis. That is what we are trying to do. Whether or not we reach 350,000 tonnes, I think is a moot point.

If we sit in this room 20 years from now, we will find that the amounts of wastes being generated—because of all kinds of changes in technology and industrial processes—will be less than anything we are talking about tonight. But we have to plan, and I have to go back again to the board's principles. We do not want to plan too big because we do not want to sit with idle capital investment that is not being used. We do not want to plan too small so that we are not making any impact on the problem.

We also have to maintain flexibility as we test the market. All the operators who have plants that are functioning in other jurisdictions tell us that you do not know what you will get until you test the market. If we maintain flexibility, we can adjust as we learn about the market when we are

in the real world and not talking in planning hypotheses.

9:10 p.m.

Mr. Charlton: On that note and carrying this discussion a bit further, there are two things we have raised before to which we did not get complete answers, and I think that was for a legitimate reason at the time.

Presumably the charge structure which OWMC implements at startup will have some impact in terms of causing the reduction of ultimate waste that you are going to have to deal with, especially for those who might be in the position of having to haul considerable distances and so on.

What kind of studies have you done on the pricing structure that you will have to get involved with in order not to push it too far? For example, what would happen if you go ahead and build for 150,000 tonnes but because of the pricing structure you implement, you end up getting only 60,000 or 70,000 tonnes and do not grow beyond that very quickly? What impact is that going to have on OWMC and ultimately on the public purse?

Dr. Chant: It is a very good question. I will give two responses. One is that we have learned, particularly from looking at the European facilities, that you do not have one cost that you charge everybody; you charge according to the difficulty of treating a waste stream. At the HIM facility in Hessen, which I visited last week, their costs ranged from about 3,000 German marks for certain kinds of waste treatment—a very difficult, usually low-volume but very difficult waste to treat—to about 200 German marks, or something like \$100.

Mr. Elston: Per tonne?

Dr. Chant: Yes; always per tonne. The two things these operators who have experience have told us is that you will not know the market until you open, and that if the regulatory system does not support the coming on stream of facilities, then by and large the wastes that require treatment will not move to you for treatment.

I think it is simple economics that we all can understand. If we are competing with a \$15-a-tonne landfill disposal cost, then obviously wastes are not going to come to us at 10 times that cost for proper treatment. We are not the regulators; I have discussed this with the minister, and I think the minister accepts that principle.

Interjection.

Dr. Chant: The best example is not Ontario, I am happy to say. The best example is British Columbia. Much of the waste in British Columbia is now trucked untreated to the state of Oregon and is dumped in a hole in the ground at \$18 a ton, I think it is.

You may be aware that British Columbia had taken a different route, a non-crown corporation route, but they had appointed a single company to have the monopoly on treating waste in that province: Genstar. Genstar came to the province and said, "Look, we are competing with the leakage of waste"—to use their words—"to Oregon at \$18 a ton. What guarantee will you give us, Mr. Bennett, that the regulations will reinforce the movement of waste within the province to our in-province treatment facilities?" Mr. Bennett said, "I will not give you any assurances on that." Genstar cancelled the contract and walked away.

We all recognize—and we are told over and over again by Sweden, by Denmark and by Germany—that the regulations of the day, when the facilities are available, have to encourage the movement of the waste to the facilities for proper treatment at a fair price.

I do not want to put words in the minister's mouth, but I think the minister accepts that as a principle. Thousands of details are involved in working that out, but as a principle, I think it is unassailable from the point of view of simple economic realism.

Hon. Mr. Brandt: On that last point, let me just indicate that we have had preliminary discussions with respect to the whole concept of regulatory fine tuning. That is the kind of thing that Dr. Chant is alluding to. At some point there will probably have to be a directive issued by way of regulatory reform on the part of my ministry that certain types of wastes by law will have to be directed to the facility we are talking about.

I would, if possible, like to expand a little on the responses that Dr. Chant has given to Mr. Elston because I—

Mr. Chairman: Minister, I wonder if Mr. Haggerty—

Hon. Mr. Brandt: I have had great difficulty getting the floor, Mr. Chairman, and I was here long before the member.

Mr. Haggerty: Fifteen years?

Hon. Mr. Brandt: I meant tonight, sir.

Mr. Chairman: The last two hours. Mr. Haggerty, are you doing a supplementary on the original question of Mr. Elston's?

Mr. Haggerty: Yes, on the projections of the 400,000 tonnes of chemical waste, I guess it would be, and the 350,000.

Is there any transient movement of chemical waste from the United States here to Ontario? If there is, what is the amount? Are we going to get to the numbers? We have to get to the numbers some place here on this. I travel the Queen Elizabeth Way and I see a number of tank trucks labelled "hazardous waste," and so on. I was just wondering how much of it is coming to us from the States and how much is going over there from Ontario.

Dr. Chant: And is it included in the 350,000 tonnes?

Mr. Haggerty: Has it reduced, or increased, the estimated 400,000 tonnes of waste?

Dr. Chant: There is a net outflow of waste from Ontario, but it is not very large numerically. I think we export something like 10 per cent of the total amount of—

Mr. Haggerty: Ten per cent of 350,000, 400,000, or 150,000? Now, which is it?

Dr. Chant: I would say, in my terms, 10 per cent of the 350,000 to 400,000, yes. We import a small amount back again, but I think we are net beneficiaries, if you happen to look at it that way. We are in an export situation rather than an import one. However, the central point is that the figures are not large enough to really interfere with the fine tuning of our capacity estimates, which I tried to speak of earlier.

Mr. Haggerty: Is this material, then, that is being transported back, say, over to the United States? Has that been recycled, or—

Dr. Chant: Some of it has. Some of it is going to landfill. Some of it is going to treatment. I think the array of options of things that are happening to that waste is pretty wide. If it is close to the border and it has an economic potential for return, it is probably going for recycling. It may be going for cheap disposal. I think there is a multitude of things.

Mr. Haggerty: So you are telling me that some of this could be exported to the United States and dumped into the Love Canal, or one of the sites over there, and then we would pick it up in the Niagara River. Is this what is happening?

Dr. Chant: I do not think that is happening, but I am not the regulator, and I am going to duck that one by asking the minister if we do regulate it.

Mr. Haggerty: It is a good question. Somebody has to be ducking.

Mr. Chairman: All right. Can we move to the minister to finish off?

Mr. Haggerty: I just wanted to get into one other matter, now that it has been raised here.

Mr. Chairman: One other matter?

Mr. Haggerty: Yes. It is the proposed site, I guess it is, in the Niagara Peninsula.

Mr. Chairman: No, no. Sorry. Let us finish this one question. The minister would like to answer that. Then we will go back to Mr. Elston. You are on the list here.

Hon. Mr. Brandt: Mr. Chairman, I found the original question raised by Mr. Elston to be quite intriguing for a number of reasons.

If one takes a given quantity of waste, whatever that number might be—and I am sure that if we have the best possible minds working on this problem, and I think we have, we can get a relatively close definition of what that volume might be out there, both in the perspective of the Ontario Waste Management Corp. and of my ministry.

Once having done that, however, I think that in fairness Mr. Elston has to build into that number a whole series of other factors which are going to impact on that. Before you interrupt me, I listened at great length, sir, to your dissertation. I just want to, if I can, follow the thought pattern through so that you will understand what I am getting at.

So, given a particular quantity of waste, one of the things that is happening today is onsite treatment and internal recycling. That, in part, has been mentioned.

However, I want to suggest to you that I know of one company—and this is only one example; I will give you the name of the company—that has reduced the total amount of waste it has generated by some 50 per cent over the past two years. In part, that is because they have found it less expensive to recycle and to deal with their waste internally than to have to pay for that waste to be disposed of through some other process, through Tricil Ltd., transshipment to the United States, or whatever.

Mr. Charlton: That is something they bought from Probe three years ago.

Hon. Mr. Brandt: I would hope that they would have, but the reality is that they have done that.

Second, and this is encouraged by the Ontario Waste Management Corp., there is a thing called waste exchange today, where the waste that one company is getting rid of could well become a

product that another company is interested in. We attempt to encourage that sort of thing.

Before you throw your hands up, sir, I would respectfully submit to you that this reduces the total volume of waste, and if we can do it in that way, it would certainly be the position of the OWMC and of my ministry to encourage that kind of thing.

Third, there is some waste still being retained in storage. I give you as an example polychlorinated biphenols, which we know are still in storage.

Mr. Elston: But which are not part of the mandate of the OWMC, by the admission of Dr. Chant.

Hon. Mr. Brandt: But you are talking about total toxicity in the environment.

Mr. Elston: No, no.

Dr. Chant: For the record, Mr. Chairman, I have never said that. Ever.

Mr. Elston: You said you were not going to be dealing with PCBs.

Dr. Chant: No, I have never said that. I will give you the answer I have given to this committee before.

Mr. Elston: So you are going to be dealing with the disposition of PCBs.

Dr. Chant: I have always said that our rotary kiln is fully capable of dealing with PCBs if the need should arise. I have always said that.

9:20 p.m.

Mr. Elston: If the need should arise. However, as I understood it, last year when you were here, you indicated to us that because of the situation which was being studied by the ministry here, this one was going to be left to the ministry to determine.

Dr. Chant: No, sir. With respect, I never said that.

Mr. Elston: You never indicated that you would not have the capability of dealing with them, but you did not say to us—

Dr. Chant: What I said exactly—

Hon. Mr. Brandt: I am almost sorry I used the example.

Mr. Elston: You ought to be.

Hon. Mr. Brandt: Could I use another example?

Mr. Elston: Go ahead.

Dr. Chant: If the minister will bear with me for a moment, I said that our rotary kiln is fully capable of dealing with polychlorinated biphenyls, but that it was quite likely that the PCB

problem, through the ministry's efforts with the guidelines in the private sector, would be solved before we were on stream.

That is exactly what I said, Mr. Chairman. This does not say that we will not deal with PCBs.

Mr. Elston: I will check our committee.

Mr. Haggerty: When are you coming on stream?

Hon. Mr. Brandt: As soon as the regulations are finalized.

Mr. Haggerty: The minister is responsible for that, is he not?

Hon. Mr. Brandt: No, the public is responsible, in part. We have a hearing process which is going to require public input. That is another question I would be prepared to address. I have been trying desperately to finalize the discussion that Mr. Elston initiated some long time ago.

Mr. Elston: About an hour and 20 minutes ago.

Hon. Mr. Brandt: There are also wastes, sir, as you well know, that are being exported to the United States, and that is a variable, depending on price and other factors. We have private sector expansion in the waste treatment field. Tricil Ltd., as an example, has expanded very considerably, and has excess capacity at the moment.

Mr. Elston: Sometimes, under the order of the minister, they have had to cut back on the amount of waste they accept.

Hon. Mr. Brandt: You are thinking specifically of the cyanide case, I know. At least, I am guessing that this is what you are implying.

However, private sector expansion is also a consideration in that there are private sector facilities in both the United States and Canada. Referring for a moment only to those in Ontario, though, they have been put in place with the specific purpose of dealing with the same types of wastes.

We recognize that Dr. Chant's facility will go far beyond the capacity of existing facilities. Future regulations will also determine the volume of waste to a certain extent.

The future growth of industries is something that neither Dr. Chant nor I, nor anyone else, is going to be able to predict with any degree of preciseness or accuracy. It is going to depend on the export policies of not only the federal government but the province of Ontario. It will be greatly dependent on the value of the Canadian dollar and our competitive position vis-à-vis that of our trading partners.

As an example, we are generating more waste in the auto industry, thankfully, because the auto industry is going through a boom period right now, and that expansion is one that, quite obviously, is going to impact on the amount of waste that is generated.

To take another example, perhaps closer to Mr. Stokes's area, if the policies of the government or the market that is available in the pulp and paper industry expands very rapidly, there are certain wastes that are generated by those types of industries. Again, they have to be disposed of.

When the market conditions are such that you have an expansion which is not something you can predict with any degree of preciseness, you then come up with, I think, an educated projection—if I can use that term, Dr. Chant. Based on that educated projection, you then build in the maximum degree of flexibility.

All the remarks I have heard Dr. Chant make tonight are ones with which I would want to associate myself. We have had a number of discussions about trying to keep this facility as flexible as possible so that we can deal with the maximum volumes of waste that we anticipate might be generated. However, I can tell you that our best guess will probably be somewhat less than that, with respect to the realities of the situation, once you take this very large host of variables into account.

I would say that it is unfair to suggest—and I have to take issue with this comment—that because Dr. Chant cannot give you an exact figure of how much tonnage is going to be dealt with annually, 300,000 tonnes or whatever, he has not done his homework, or we have not studied the question. That was the inference I drew from the preamble to the member's remarks. I would suggest, as well, that this is not only unfair but totally unrealistic in the light of the real world we have to live in.

Mr. Elston: If I might, I have never suggested that Dr. Chant has not done his homework. I respect his ability to research the situation in front of us. However, what I have heard the minister tell us, and what I have heard Dr. Chant tell us, is that, given certain parameters, if certain things happen, if the auto industry does such and such, if this or that happens, certain things will generate certain volumes of waste.

What we are hearing is that Dr. Chant feels there are perhaps 350,000, 400,000 tonnes of waste that his plant will have to treat on an annual basis at the maximum. I believe that is what he indicated to us.

Dr. Chant: I think you also heard me say that, because of these changes Mr. Charlton has mentioned and because of the change the minister has mentioned, my own personal guess—I am speaking as Don Chant now—is that we will never have that need—

Mr. Elston: Okay, that is fair enough.

Dr. Chant: —but we are building for it.

Mr. Elston: But what they are doing is planning for a startup at 150,000 tonnes. My only question was this: When do you get to the 350,000 tonnes?

He said he may never get that far or he may never get to 400,000 tonnes; add to that your comments that if industry picks up, if export picks up, if the Ontario government does something to generate some business interest in this province, there will be extra waste. All I have said during this first hour and 20 minutes—and I apologize for extending—

Mr. Stokes: This is the fifth time you will have said it.

Mr. Elston: Well, Jack, perhaps you do not care about the definition of the problem. As I understood it, when Dr. Chant started this exercise, the whole situation was predicated on the fact that we had to know how many acres we needed for landfill sites for waste disposal, and what type of wind patterns, what type of atmospheric pressures were required so we could have an optimum burning of the waste, what sort of pressure was required so we could have a physical chemical treatment plant in place.

Hon. Mr. Brandt: The answer to all that—

Mr. Elston: All I am saying is, and all that you have confirmed and all that Dr. Chant has confirmed and all that my colleague here from Hamilton Mountain has confirmed, is that we still are just guessing at the magnitude of the problem.

Hon. Mr. Brandt: Oh, no we are not.

Mr. Elston: We sure are.

Hon. Mr. Brandt: To repeat Dr. Chant's exact words—and I listened carefully to what he said—he indicated we were preparing for, planning for—

Mr. Elston: For 150,000 tonnes.

Hon. Mr. Brandt: No, he did not say that.

Mr. Elston: To start up.

Hon. Mr. Brandt: He said we were planning and preparing for a worst-case scenario in total volume. Now, recognizing full well it might be something less than that, because of the variables—which I apparently was not successful in

outlining in a way that is understandable—those variables could make that number, ostensibly, 50 per cent of the maximum capacity.

Dr. Chant went on to say—he is sitting right here and I am quoting him, but the reality is he went on to say, as I understood him, that the impact in terms of air emissions, in terms of the total capacity of the landfill site and of the rotary kilns that would be involved in the treatment process, are all predicated on moving up with additions as required in order to meet that capacity, or that the landfill site and the air emissions are already predicated on maximum outputs. That is what I heard him say.

Mr. Elston: That is what you heard him say, and what I also heard him say was that the volumes of waste to be generated will be predicated also on the basis of the amount to be charged to each of the industries for a disposition of a unit measure of waste.

Hon. Mr. Brandt: The cost.

Mr. Elston: If that is the case, if you are going to have two rotary kilns, if you are going to have 500 acres of land disposal site or if you are going to have three or four units in a chemical physical treatment plant, that is going to determine the basis of your charges, the capital cost recovery, for the disposition of waste generated in Ontario.

All I am saying is there are a number of things which lead me to believe that what you have developed is a consensus level of waste disposition in Ontario. Maybe it is not possible, but all I am saying is that if we knew exactly, if Dr. Chant told us that what they are planning for is X number of tonnes of disposition in Ontario for so many years, that would provide us with an idea of how large the site has to be.

He said he is planning on 150,000 tonnes to start with. My next question was, "Well, how long does that go on?" and he says, "I do not know."

Then I ask, "Well, how long is your site going to be useful for?" and he says, "Thirty-five years." The waste from 35 years at 150,000 tonnes is somewhat different from 35 years at 350,000 tonnes.

Dr. Chant: To set the record straight—

Mr. Chairman: Try and help us out.

9:30 p.m.

Dr. Chant: —what I think I said was that the 25-year lifetime of the landfill—and that is where the lifetime is critical, with respect to land mass—is based on 350,000 tonnes. If it takes us 10 years to meet that target of 350,000, or if we

never meet it, we simply extend the lifetime of the landfill.

Let me tell you of an anecdote I heard last Friday in Frankfurt. It took 10 years to find the landfill site that the company there, which is the next best thing to a crown corporation you have in Germany, now has.

They have based their projections on a 25- to 30-year lifetime, too. If they have underestimated the amount of waste that has to be treated, and the lifetime of the landfill is reduced, because they did not plan at a higher figure such as we are planning, then they are desperate. They said, "We have to start looking for the second landfill site right now, because it takes 10 to 15 years to establish the licence for a landfill site in this state."

Mr. G. I. Miller: How many acres of land?

Dr. Chant: About 15 to 20 acres of active landfill were their estimates of quantities.

What we are doing, and I think the minister has reinforced what I tried to say, is planning for the higher capacity. The longer the time it takes us to reach that higher capacity, if we ever do, the longer the landfill will last.

I hope every member here would agree that the last thing we need, collectively, in Ontario, is to look for another toxic waste landfill site some time within my lifetime. I do not need it; I do not think you fellows need it, either.

Mr. Elston: Perhaps if I can move on to some other issues, then. I rather suspect that we are having some problems.

Mr. Chairman: If that completes your answer to that question, we only have one hour left this evening, and perhaps we should move on. I think there are other questions as well.

Mr. Elston: I will move on to some very quick questions. I do not for a moment give up on the whole question of volume of material, but in any event, I have some other questions which should be put on the record. I think I will do that quickly so that Mr. Charlton can get into other issues he may want to deal with.

Particularly, I want to indicate to the committee that there are some very serious impediments to the Ontario Waste Management Corp. continuing with their timetable. I understood their timetable to have a startup time of about 1987-88, somewhere in that area, originally, when we first started talking about this.

As I understand it, there are some legal difficulties which may impede that, and which I understand may take between three or four years, perhaps, unless there is some amicable disposi-

tion of that. That may extend the startup time to 1989 or 1990. Perhaps the chairman could talk about those.

I am also interested in understanding—and I will go through these very carefully and very quickly—I would again like to have indicated to us why, in effect, the Environmental Assessment Act is being bypassed under the current situation.

I know we have discussed this before, and I know the chairman has his particular feelings about that process. However, I think it is worth while to bring this before the people particularly affected, because they—for the first time, I think—are gaining a new perspective on the operation of the OWMC.

We have dealt with the issue of generation from a certain perspective, but perhaps you might also, Dr. Chant, tell us about the destination point of the material that is being disposed of now, and the situation under which it is being hauled.

I understand, in that light, that there is a study of the Ontario waste industry which indicates where the elements are being generated, where they are being hauled, and by whom they are being hauled. Perhaps you can tell us when that particular site is being made public so that those of us in opposition and those in government positions could then deal with the particular situation and actually analyse the study.

As you know, there has always been consideration of the Ontario Waste Management Corp. putting the money allocated to the best possible use, and there was a small flare-up last year with respect to furnishings, leasehold operations, and things like that.

Dr. Chant: You have used that word "leasehold" twice now. I do not understand what you mean.

Mr. Elston: I presume that you lease your offices.

Dr. Chant: That has never been an issue. Nobody has ever raised that before tonight.

Mr. Elston: It has been brought to my attention, particularly, that you were spending \$359,600 a year on renting office space and that there are leasehold improvements in dividing the office and things like that.

Dr. Chant: May I ask if you think it is too high or too low?

Mr. Elston: I mention those items because they have been brought to my attention. Expenditures like those, and the chairs which were involved in an earlier controversy in the public accounts committee, have been brought to my

attention. I made certain suggestions to Mr. Scott and others with respect to the handling of those matters.

Can you advise us with respect to other sorts of administrative costs which are being applied in OWMC? How many times have you travelled to Europe? You mentioned that you had seen that site in Germany, which you had mentioned before, for the first time.

I understood from Mr. Scott and others that you had travelled extensively in Scandinavia and in Germany and that it is unusual you would just find a brand-new site to take a look at in the last 10 days. A private citizen who contacted me said you travel overseas by air, first class and the whole works.

Dr. Chant: Absolutely untrue.

Mr. Elston: Okay, I accept that, but I said, for this person's benefit, that I would check that out.

Dr. Chant: We follow exactly the government guidelines with respect to overseas travel, all the way.

You have asked five questions, one of which I think it is more appropriate for the minister to answer but let me try.

With respect to legal actions, the legal action we are currently experiencing is by no means the last. I would remind the members of the committee that there are many parties to that legal action; the OWMC happens to be one that hits the headlines. The Ministry of the Attorney General is a party to that action. The Ministry of the Environment is a party to that action. The hearing panel is a party to that action. The OWMC is a party to that action.

As I understand it, and I am not a lawyer, there are two thrusts to that. One is to challenge the authority of the Legislature of Ontario to exempt the corporation, through the Ontario Waste Management Corporation Act, 1981, from the provisions of the Environmental Assessment Act. It is one of the questions you will have to address to the minister. That is a challenge under the Constitution of Canada.

The second thrust is seeking an injunction to prevent us from doing any further work, in its simplest form, until the court issue is resolved. There is no judgement against the corporation, or any of the other parties to that action, at the present moment, and twice the town of Milton has asked for an adjournment of that action.

We have not asked for an adjournment. We would be happy to hear it at any time. We will proceed until a judgement against us. Personally, I do not think there will be, but we will proceed until there is a formal judgement against us which

inhibits our searching for a site and developing our facilities.

With respect to the office rent, the figure that was quoted is a perfectly standard figure for offices in downtown Toronto. In fact, it is a little cheaper than one might get regularly commercially because we negotiated with the landlord.

We are busting at the seams. Every office in those facilities at Yonge and Bloor is full. I do not really understand the concern. It is a perfectly standard rate per square foot. As I say, it is a little less than the actual commercial rate and I hope that no one is suggesting that we could function without any offices. That is one of the prices of doing business. There is no question about that.

With respect to the trips to Europe, the sad fact is that it is the European jurisdictions that have these facilities up and running; some of them have a track record as long as 10 years. If our engineers, our site-selection personnel and we ourselves are to see these things in operation, we have no alternative but to go to Europe and look at them and we have done so, without any apology to anybody.

9:40 p.m.

The reason we learned about this brand new physical chemical treatment facility, part of the Hessische Industriemüll facility in Frankfurt, was that heretofore, I understand, the director of that operation, Dr. Erbach, who does not speak English, had understood on our previous trips, no matter what we had said, that all we were interested in was rotary kilns. We have seen that several times and studied the engineering design of it. I learned more about it than I had known before, even though I had visited there once before last week.

It suddenly became apparent to us they had not only a rotary kiln, which we had always focused on, but the whole constellation of facilities: phys-chem plant, rotary kiln and landfill. That is how it came to our attention.

We put it to Dr. Erbach about six weeks ago that we would love to see his phys-chem plant in Frankfurt. We went, and we were amazed at its sophistication, the skill with which it is operated, and the fact that it has been operating for six years. We were puzzled as to why he had never brought the existence of this facility to our attention before, but he has now, and our engineers have studied it.

With respect to the exemption from the Environmental Assessment Act, I would have to refer that to the minister as spokesman for the government. As you well know, Mr. Elston, I took on this job with certain understandings with

the Premier (Mr. Davis) that notwithstanding the exemption there had to be public hearings and a number of other things that you have heard me speak of before.

The Premier has lived up to those conditions without fail, exactly to the letter of his undertaking to me. I can certainly have no complaint in that respect, and I do not. He has acted very honourably. When I was asked to take on this job the exemption was a fact of life, and hence the conditions that I discussed with Mr. Davis at that time in November, four years ago.

Hon. Mr. Brandt: If I could answer that, the constitutional challenge that Dr. Chant identified is one that we feel is not going to be successful, primarily because it is our opinion—and it is shared by the legal staff we have had review this—that we have every constitutional right to determine the direction to be taken by the Ontario Waste Management Corp., and, more specifically, with respect to the requirement that they go through the environmental assessment process or some other process.

There is no question that the reviews, and the hearing panel that has been established to review the position of the Ontario Waste Management Corp. when their proposals are put before that panel, are far more precise, far more exhaustive and far more involved than would be the environmental assessment process.

This is a very specific project. It is one that is going to be done, perhaps, once in a century.

Mr. Elston: Once in 25 years.

Hon. Mr. Brandt: For that reason, we felt we had to set up—not with the intention, I might add, of skirting the public process or the input of the public in any way, shape or form; heaven only knows that the OWMC has been subjected to more public hearings and more community input than virtually any undertaking that I can think of on the part of the government.

Mr. Elston: Consultation.

Hon. Mr. Brandt: Also the hearing process which is coming up. Consultation, up until this point, has been the sharing of information, sharing of data and the kinds of details the public would want to have information about.

We are now moving into the next stage, which in my view is going to be—and Dr. Chant may want to offer his own opinion on this—far more exhaustive than the environmental assessment process. I have to use this term: I think it is a bit of a red herring.

The reality is that we believe we have the constitutional right to do that. We were not

attempting to skirt anything by so doing and, quite frankly, we think it is going to be even more difficult to go through that hearing process than the normal process the OWMC may have been subjected to if it went through environmental assessment.

Mr. Charlton: The only problem with that, Minister, is that you have forgotten some of the comments of your predecessors in the role of Minister of the Environment on the rationale for exempting the OWMC from the environmental assessment process.

For example, your predecessors once and twice removed suggested that one of the reasons they were exempting OWMC from the Environmental Assessment Act was because the Environmental Assessment Act required looking at alternatives. At that time, they were saying that the province did not have the technical capacity to look at more than one site in any kind of detail. Now we have OWMC looking in detail at a number of sites and fulfilling most of the obligations of the Environmental Assessment Act.

The problem is still going to be the terms of reference under which the hearing panel deals with the question of a single site, when that single site choice is made.

The problem is still going to be the terms of reference under which the hearing panel deals with the question of a single site, when that single site choice is made.

Mr. Elston: I would like to thank my colleague, Mr. Charlton, for being so generous with his courtesy to me to allow me to ask questions because it is of concern to me. There are a number of concerns that still exist, and I want to thank you, Mr. Chairman, for allowing me to go on at length with some of the concerns I have. I think the question of definitions still requires a good deal of thought.

Even though I have a series of further questions that remain to be answered, perhaps we can address those in another forum. I thank you for allowing me the liberty of expanding on some of these areas. Perhaps Mr. Charlton would like to carry on.

Hon. Mr. Brandt: Before we move on to Mr. Charlton, there was a question that remained unanswered with respect to the funding of the crown corporation on the part of my ministry.

I would just like, for the record, to advise the members of the committee that the Ontario Waste Management Corp. is on a pressure point funding basis, so that when additional dollars are required, we have a discussion regarding the

additional moneys that Dr. Chant feels are necessary after review by his board.

This year approval has been given by cabinet and moneys have been made available in the amount of an additional \$7 million. The letter has perhaps arrived with Dr. Chant; I do not know whether he has received it yet or not. That comes very close to the request that Dr. Chant had made.

The reason, I might add, if I could just quickly go back into the history of this thing with a few brief comments, is that at the beginning of the year we did not know how quickly the process would move along. Again, there is a certain degree of impreciseness to it in the sense that the faster the process moved, the more dollars would be required.

However, there was an understanding among Dr. Chant, the OWMC and my ministry that when we got to the point where those additional dollars would be required, my door was open for Dr. Chant to make that submission. I would carry it to my cabinet colleagues and to Management Board, and those dollars would be made available on a pressure point basis.

That has happened, and I would just like Dr. Chant to confirm that, because you did raise the question about financing, and whether or not we were shortchanging the OWMC in some fashion.

Dr. Chant: Perhaps I could expand on that very briefly.

The original proposal from the corporation for the fiscal year of interest—that is, the current fiscal year 1984-85—was \$12,962,000. The approval was for \$5.66 million, the so-called flat-lining at the level of expenditure that we incurred in 1983-84. I personally think that this is an entirely reasonable approach for Management Board to take to a very uncertain situation where there are no precedents as to the rates of expenditure and the timing of the process.

As the minister indicated, it was clearly made evident to me that the \$5.66 million was flat-lining and that when we were in a better position, in the midst of the fiscal year, to make more precise estimates, pressure point budgeting would be viewed very sympathetically. As the minister has indicated, pressure point budgeting of \$7 million was approved, and that, together with the \$5.66 million, brings us up to \$12.66 million, against our original proposal of \$12,962,000.

We have indicated to the minister and to the Management Board that as our reforecasts become even more precise, we may need a little more money for the current year, and we will go

back for a second pressure point proposal. I think the minister has indicated he would be sympathetic to that. We do not know that yet.

I think it is fair to say that our financial relationships with the ministry and with Management Board have been outstanding. I would just like to make this point. Mr. André Castel, who is with us tonight, has been instrumental in this, as well as Mr. David Redgrave and the deputy minister, Dr. Allan Dyer. This has worked very smoothly indeed and we have the funds we need to proceed at the rate we are trying to sustain.

9:50 p.m.

Mr. Elston: I have just one question for the minister. If we are going through estimates on a basis of a \$5.66-million request from OWMC, and you already have approval through cabinet for an additional sum of money, what relevance is our voting as a committee to confirm the request for money when our budgetary process here has little bearing on the basis of allocation of funds for the various ministry programs?

Hon. Mr. Brandt: I think you have to take into account what Dr. Chant has said, that the speed with which the whole project is moving will require some additional dollars. If you want explanations of the additional amounts of money that are going to be required in that particular fiscal year, up to \$7 million, then we will provide you with that information.

Mr. Elston: These things are already out of date. That is what I am saying.

Hon. Mr. Brandt: They are out of date only because, in part, the process has moved more quickly than was anticipated.

Mr. Elston: You should have put that in your opening statement, indicating that in the material you provided for us as critics. I raised the question of finances. That could have been dispelled automatically at the outset from the point of view that you were able to grab extra money from the ministry. You could have dispelled that whole problem right at the outset.

What other amounts in your budget are to be supplemented by this pressure point budgeting formula you have talked about?

Hon. Mr. Brandt: None. We do not have any other crown corporations. This is the only one that would fall into the category where it would be under pressure point financing because it is an external agency.

Mr. Elston: This whole exercise in the committee is bound to determine whether or not your ministry is adequately addressing the

administrative and policy considerations of the environment.

If you do not tell us that you have as a minister been successful in persuading your colleagues in cabinet to provide extra funding, how in the dickens are we supposed to know that these extra funds are available? How do we know what sort of priorities you are addressing if you do not tell us?

Hon. Mr. Brandt: I think it is also fair in this particular instance to say, because they are mid-year supplements, as I have just identified, that those particular supplements were not approved at the time of printing or they would have been in there.

Mr. Elston: But last week you had your opening statement. You could have told us at that particular time.

Hon. Mr. Brandt: I do not believe it was approved at that particular time. It was subsequent to that, I have been advised by the deputy again.

Mr. Elston: But you had not asked for—

Hon. Mr. Brandt: No. It was in the process of being approved, but it had not been approved yet.

The criticism is valid. I understand what you are saying, and we will try to clear that up. We are operating with the degree of flexibility that I and Dr. Chant are trying to encourage, which is to move the whole project along in a reasonable fashion in an attempt to get the facility in place in a reasonable time frame. This implies that there will be additional expenditures of money if we are successful at certain points.

I have to respond to what Dr. Chant advises me by way of supplementary information, and we did that. The only reason I brought it up is that I thought you as critics and as members of the committee would welcome that news with relatively open arms.

In the last session that we had in committee, I was criticized for not providing enough money for certain programs. I am only telling you in this particular instance that we have supplemented the money to meet the demand line of Dr. Chant and the OWMC.

Mr. Elston: With an apology to my colleague from the New Democratic Party, who is very patient indeed, I just want to ask—

Mr. Chairman: You want to see the look on his face.

Mr. Elston: —the minister and Dr. Chant when they expect to get this thing on the road. When is it going to be operational? That is the question we have asked since 1980. I did not ask

it in 1980, but I asked it in 1981, 1982 and 1983 and now 1984. That is the final question.

Mr. Haggerty: Is there any money being spent on the pre-engineering of the plant facilities themselves? Is it on the drawing board now? Is there a pilot project?

Dr. Chant: Yes, indeed. There are two phases to the engineering, and most of the pressure point supplement is devoted to the preliminary engineering.

There is what is called conceptual engineering in the engineering trade, which is what the plant would look like and how it would operate, but not the details of every bolt, footing, and these kinds of things. This is the material that will go to the hearing panel to justify our submission.

When the hearing panel has, we hope, recommended to cabinet the approval of our proposal with or without conditions, we then enter the detailed engineering phase, which is the more traditional one of every nut, bolt and piece of steel in the thing. We will have some 18,000 engineering drawings at that stage. However, the conceptual engineering is well in hand. Much of the money in the pressure point budget supplement will be used for that purpose.

Mr. Haggerty: Do you have a pilot project going on now, say, at the Ontario Research Foundation out in Mississauga? Is there a pilot project going on there now to find out if you are going to have a project that is going to do the job you intend to do? With an industry of this type, they usually construct a small pilot project and go through the process there. Then the final engineering design—

Dr. Chant: With respect, our commitment from the very beginning has been to use only the world's proven technology for waste treatment. We do not think we should be conducting an experiment on the people of Ontario.

There are more than 100 proven technologies. By proven, I mean at least one year of commercial operation for treatment of waste. One of the reasons we are going on these visits to Europe is to see these plants in operation. We do not need a pilot project. They are there. Anybody can go and look at them to see the models on a commercial scale.

Mr. Haggerty: There are pilot projects being carried on right now.

Mr. Chairman: Mr. Haggerty, in fairness, Mr. Charlton is sitting here patiently waiting. I think Mr. Elston did ask one pointed question. Have you any idea when this will come on stream?

Dr. Chant: With respect to that and with respect to Mr. Elston, I will give him the same answer I have given for three years. We do not control the hearing process. I cannot tell you whether the hearings will last one day, 365 days or two years. That is at the discretion of the hearing panel and the wishes of the public to intervene in the process.

We already made our first submission to the hearing panel in June of this year, a submission on the rules of procedures we think should be followed through the hearing process. The hearing panel has that under advisement at the present moment. We will begin to go with our technical proposals once those procedural rules have been clarified and established by the hearing panel early in 1985. The technical hearings will begin at that point.

I cannot now, I could not last year and I could not the year before tell the committee how long the hearing process will take because the hearing panel is independent. I do not determine that timetable. I can tell you that once we get approval, and we hope we will, from cabinet on the recommendation of the hearing panel, we can have the plant up and operating 18 months after that approval point. That is the best I can say because I do not control the hearing process timetable.

Mr. Chairman: Thank you very much. Mr. Charlton.

Mr. Charlton: During the course of the last four years we have had a number of discussions about the size of the facility that you are going to build. Basically, I am pleased to hear that although you are planning for a capacity much larger than you are initially building for, the facility you are initially going to build is much smaller than the real potential.

We have been approached by industries, environmental groups and citizens' groups regarding the question of whether or not the Ontario Waste Management Corp. was going to end up with a facility which would encourage the need for destruction of waste that might not necessarily need to be destroyed, i.e., the other things we have been talking about—reduction, recycling, reuse, exchange of waste, changes of process to less problematic wastes and so on.

We have raised this issue a number of times before, and I am still not clear on exactly who is going to play what role. Is it the intention of the OWMC to be actively involved in talking to industries about those much more useful approaches to the industrial waste streams in this province than the actual shipping of it to your

facilities? Are you going to be actively involved in that process?

10 p.m.

Dr. Chant: Not only are we going to be, we are. About seven months ago we hired a manager of waste reduction and recycling, Ken Bradley. Ken has already done several things. He has put together a schedule of priorities, where he should be turning his attention in working with industry to foster process changes that will basically reduce the amount of waste to start with, which is the best way of all. Among these are recycling, waste exchange and making a list of the kinds of waste that are most amenable to those approaches, where he should put his efforts to start with.

He has had many conversations with industry and is beginning to make known to them the availability of his very considerable engineering skills in helping to redesign processes and to look for new opportunities for recycling and reduction.

Second, he is our prime point of contact with the Ontario Research Foundation in getting off the ground this Ontario waste exchange program which the minister mentioned earlier. This is a process of trying to make known to certain industries the availability of waste generated by other industries that is a useful resource. It does not have to be treated or destroyed; it can be used in some productive way.

I saw a piece of paper on my desk the other day that suggested the first success in that Ontario waste exchange program, with a particular waste—and I apologize, I cannot remember which one it was; it was an inorganic waste—for which we found a user. That was 20,000 tons of waste that came off the streets, if you will, and is now being put to a productive use, rather than being disposed of in some other way.

As our manager of waste reduction and exchange, Mr. Bradley already is having very extensive conversations with industry, and with our potential clients too. The waste quantity survey—that survey of 1,000 industries—has given us great entries and contacts in those industries to enable Mr. Bradley to follow up with them and say: "Hey, fellows, did you realize that if you changed your process a little bit this way you might not have to be a client of OWMC in the first place and have to pay to have your waste exchanged or treated? Somebody might actually buy it from you and you might make a buck from it instead of having to spend a buck."

I think that has tremendous potential and I know Mr. Charlton agrees. It is not a question of

whether we are going to have actual involvement in the industry; we are already beginning to have it.

Mr. Charlton: I have a question that comes out of that. As this aspect of OWMC progresses and starts to get a handle on things out there in the real world, presumably that section of OWMC will start to set targets and so on, in some cases with industries that are not yet shipping to OWMC, and perhaps after you have started into operation with industries that are currently shipping but do not necessarily need to be in the long run.

I assume there is going to be some kind of a secondary planning process in OWMC which will ultimately facilitate your top-line planning process in terms of the need to expand the facilities. What approach are you taking to that and what tools do you think will be useful in our discussions with government and your discussions with government with respect to maximizing that?

Dr. Chant: I think one of the most important principles is that in those two things—trying to create a waste treatment facility and trying to encourage and reduce the amount of waste that will be coming forward for treatment—we have a very interesting basic paradox. Within one corporation we are trying to expand our business on the one hand and trying to reduce it on the other.

The first basic principle is not to have those two functions reporting to the same place within the corporation below myself, because you have the guy who wants to build the facilities to treat as much waste as he can, in conflict—not in conflict, but with different objectives and aims—with the fellow who wants to reduce the amount of waste that is coming to us.

I think you have heard me say before, Mr. Charlton, with tongue only partly in cheek, that we are the only corporation I know that is trying to put itself out of business. We never will; we know that.

We have those two functions; one, wanting to make sure every gallon of waste that needs treatment in this province is being treated by OWMC or by somebody else; and two, trying to reduce the amount of wastes that are in that position in the first place. So we have had to create an organization where we do not have those tensions operating within the corporation.

On the waste reduction side, under the manager who reports to our director of marketing and sales, who also has the same kind of personal orientation to trying to reduce his sales rather

than to increase them, I think we will be successful in doing that.

Over and above that, I think we have to go farther with the setting of priorities: where do we get our biggest bang for a buck, quite frankly, particularly in reduction rates; which are the easiest ones to reduce, exchange, recycle and these kinds of things? Get them off the plate to begin and then deal with the harder aspects.

Third, we have to make sure there is excellent interchange between the planners of waste reduction and recycling and their estimates of what the potential might be, year by year, and the people who are planning the capacity of our facility from the opening 150,000 tonnes to whatever the ultimate capacity might be, so that one is not going off on an empire-building line, the bigger and better facilities way, while the others are working to cut the ground out from under that. We have to ensure we have forums in the corporation for that interchange.

Mr. Charlton: Once they have developed some kind of a plan with respect to the ongoing annual potential for reduction and recycling, have you done any thinking about what kinds of tools would be helpful in that process, for example ministry regulations; so we can start that discussion with the ministry long before the facilities you are talking about actually get into operation, and so we can ensure the ability to maybe never go beyond that 150,000 tonnes a year?

Dr. Chant: That is a very important question and it is not just aimed at the ministry. We are on the threshold of bringing out a study we have done called *The Barriers to Waste Recycling and Exchange*.

Just to mention one aspect of these, some of them are taxation disincentives towards recycling, whereby the taxes on recycled products are higher than the taxes on virgin products.

I doubt that anybody intended it that way, but there is a complex of taxes now that are disincentives to sensible recycling. They are both federal and provincial. Very few of them actually, relate to the Ministry of the Environment. You are not a taxation authority; you may be many other things, but I do not think you are that, Mr. Brandt.

Mr. Charlton: From time to time he perhaps has a little more influence in cabinet than we do.

Dr. Chant: Exactly, but I think this is an occasion when those barriers have been identified, so everybody has a piece of the action and the responsibility. I think Pollution Probe has to work on some of these disincentives. We have to

do that. I think the minister has to do that with his colleagues and the government has to do it with Ottawa, to try to change some of these senseless things that unintentionally inhibit proper and sensible recycling and waste reduction.

There is a whole gamut, it is extremely complicated. On another occasion I would be interested in the views of this committee on the degree to which OWMC should be a lobbying agent in that respect. I am not terribly comfortable with it as a corporate chairman and president; I am as an individual, as you probably know. I think everyone has to get into that act.

Mr. Charlton: I suppose the reason I am raising it is whether you become a lobbying agency is something we can work out later. I think most of us have felt fairly comfortable with our discussions with you and your staff over the years with respect to the unbiased and apolitical commitment you have to the job that has been set out for you.

What I would like to see at some point in the fairly near future, though, are some recommendations, or even alternative recommendations, with respect to those tools so that those of us who are in the business of lobbying in one way or another, and the minister himself, can get on with the process of starting those battles now, whether they be tax battles or whatever they happen to be.

Dr. Chant: This report has a long series of recommendations made by a consultant. They are not addressed specifically to what OWMC should do; some we can do something about but others are addressed to the citizenry at large. These are ways in which the system we now have should be changed to further encourage recycling and waste reduction.

I hope you will play a part in this, because I think then it is a question of taking these and saying this one is appropriate for OWMC, this for other parties in the Legislature, this for Ottawa, this for citizen groups, this for the recycling industry perhaps, which has a keen interest in expanding this activity and we want to help it. It is a matter of sorting through that list of recommendations and, among ourselves, allocating who should be doing what in trying to achieve these objectives.

10:10 p.m.

I think everybody aspires to that result. Who can be against waste recycling and waste reduction? No one that I know of. It is a question of how we get there.

There are other things, such as tax write-offs for capital investment on in-plant waste reduction which, at the moment, are not as effective as

they might be. Again, it involves both the federal and provincial governments.

However, nothing will happen until someone goes to the taxation authorities and asks, "Do you realize that the consequences of this policy"—which may stem from Mackenzie King's or someone else's day—"has a negative impact on the waste situation in Canada?"

Those things have to be identified very specifically. I think you will find that in this report they are. The report is a good blueprint for action for everybody to try to improve this situation.

Mr. Charlton: I have a couple of other questions which I do not think are very lengthy. Then, perhaps some of the other members can get in.

I know you cannot give us any kind of a precise figure, but do you have any ballpark figure on what it is going to cost the Ontario Waste Management Corp. to plan a site or sites for 350,000 tonnes and to build the initial facilities for 150,000 tonnes?

Dr. Chant: To build the initial facilities in terms of traditional capital—the hardware for the plant and the land acquisition—our best estimate at the present is \$75 million in capital. This happens to be very close to the estimate Dr. Harry Parrott made when he announced the creation of the corporation in the Legislature four years ago, in November 1980. I think it is totally by coincidence.

This is our best estimate. It is very consistent with the capital costs of the treatment plants we have looked at in Europe after making the requisite conversions. The plants I looked at in Germany last week are almost dead on that figure. Yet, we did not rely on them; we developed our own estimates of what it will cost. These estimates are very consistent with what they actually had to spend.

The rotary kiln is the single largest component. As you know, you cannot buy rotary kilns off the shelf. There is a great deal of preliminary engineering design. Rotary kilns cost in the order of \$40 million, with all the bells and whistles such as effluent emission treatment, scrubbers and waste-heat recovery units. Therefore, this is kind of a ballpark capital figure that we have in mind. We will be coming forward with that.

Mr. Charlton: Does this include the purchase and engineering of the land?

Dr. Chant: Yes, it includes the purchase and engineering. It does not include the upfront engineering costs we are incurring now for the conceptual engineering. These are predevelop-

mental costs. These are not normally capitalized along with the machinery.

I think the rule of thumb in the engineering fraternity is that you can add about 20 per cent to your hardware costs for planning, engineering design costs and that sort of thing.

Mr. Charlton: Initially, are you basically looking at \$100 million or less?

Dr. Chant: Initially, but I think you have to add to that the costs of site selection—which are extraordinary in this case. We are all aware of the sensitivity and the care with which, I hope, we have been doing this work. The legal costs of the hearings and the many days spent by consultants as technical witnesses have not yet been incurred, but they are being planned for, and legal counsel has to be paid.

You would have to add those costs as being what you might call extraordinary costs in connection with the unique work the Ontario Waste Management Corp. is doing; work which a normal proponent would not incur to the level we are incurring.

Mr. Riddell: What do you project the cost of operation to be?

Dr. Chant: On an annual basis our best estimates now for the cost of operation are in the order of \$10 million to \$12 million. This is for the whole complex of facilities. It would not include transportation costs because we do not intend to operate our own transportation fleet. This will be done by the private sector and, I think, properly so.

These would be the internal costs of actually receiving, putting through the laboratory, analysing, treating the waste and disposing of the treated residues. They would be in the order of \$10 million to \$12 million a year.

Mr. Stokes: What percentage of that might be recoverable?

Dr. Chant: I think the minister would agree with me that our objective, once we are up and running and in a stable situation, is to have at least a break-even operation, so that we would be recovering those costs of operation. When you say that, you open an array of extremely complicated questions with respect to capital cost recovery, amortization periods, rates of interest and these kinds of things. They all have to be worked out.

From the very first announcement of the Ontario Waste Management Corp., I believe Dr. Parrott said his long-term objective would be a break-even operation, charging the real costs of

treatment to the generating industries. This has not changed, as far as I am aware.

Hon. Mr. Brandt: As well, we recognize we have to relate the total capital and operating input costs against the market competitiveness, because this is going to end up being a line on some industry's budget for waste disposal.

As I implied earlier, it may come under some form of regulation or control beyond what we have at the moment. Taking those things into account, there may be—underline the words “may be”—the necessity of government in some way subsidizing the differential, at least in the initial years until this thing comes up to a more complete capacity.

The reality is we are working on a break-even figure. Quite obviously, it is an essential part of industry. I think we can attract to Ontario certain industries that might not be attracted to us at the moment—not necessarily in close proximity to the Ontario Waste Management Corp.; I think that is an oversimplification of its role.

However, somewhere in Ontario, there may be an industry that this ministry would be reluctant to approve, because of levels of toxicity associated with those plants or whatever, that we could approve if there was a method of looking after the wastes they generate.

All of those things will work into the price component. In my view, it can be used as part of the whole industrial promotion package for a particular industrial sector. It is a very competitive world out there. Let me give you a quick example which does not have to do with the Ontario Waste Management Corp.

Some years ago when I was mayor, I was working on an industry—I do not know what the costs of this are when you take a look at the downside—that would have used corn and ultimately fructose as a base product for the whole vitamin B series, animal pharmaceuticals and so forth.

Mr. Charlton: Did it have anything to do with illegal liquor?

Hon. Mr. Brandt: No, as a matter of fact it did not. However, a very heavy volume of salt was one of the byproducts. The difficulty was getting rid of this salt in a relatively inexpensive fashion. That particular industry ended up going to another jurisdiction because there was no way we could provide the environmental facilities it required, because of the location it had chosen and because of its need to—

Mr. Haggerty: It sounds like a similar problem Port Colborne had with Canada Starch in the treatment of its waste.

Hon. Mr. Brandt: It could very well be. The point I am making is that at some point there may have to be a cost advantage offered to some extent, or built into this facility as part of the whole industrial package offered by Ontario. There could be some form of either direct or indirect subsidy, either on the capital or operating side. At the moment, our principle is to try to get the plant operating on a cost-recovery basis.

Dr. Chant: Could I add a few components to the minister's remarks? In the long term, I think there is potential for exporting this technology, to the benefit of Ontario. As you are all aware, if you want to look at these plants in operation now, you have to go to Europe. The newest plant is always the best plant, and the one the rest of the world comes to look at. For a moment, we will be that. I hope it will be for more than a moment.

I think the experience the Canadian engineering consultants in Ontario gained through this process will become an exportable commodity to other countries that want to follow in our footsteps. I think there is real potential there.

Mr. Haggerty: Who gets the benefit of the patents that may come about? Is it the Ministry of the Environment, the engineering consultants or who?

Dr. Chant: If there is patentability, I would expect the government or the Ontario Waste Management Corp. would hold those patents. However, I am talking about an expertise that would be to the benefit of the Ontario consulting engineering business. I think we would all agree this is to the benefit of Ontario generally. The more international business they attract, the better off I think we would all be.

10:20 p.m.

There are two other points. One is the question of differential fees and fee subsidies. As I have indicated, some of these wastes are very expensive to treat and some are very cheap. Some have high BTU content and you want them to fuel your kiln; therefore, you are willing to charge a lower price simply to attract those wastes as supplementary fuel so you do not have to buy raw, virgin oil.

If you charge the true cost for some of the very difficult-to-treat wastes at the upper end of the spectrum, you may create a disincentive to their flowing, regardless of what the regulations say. One has to use judgment. The industry tends to overcharge for the cheap wastes and to undercharge for the expensive ones.

Third and finally, with respect to transportation, if true costs were charged on a mileage

basis, there would be a tremendous disincentive to the industries in northern Ontario, for example, to use the facilities because they would have to pay so much more. Perhaps, and we have not thought this through, we should be taking the same approach as Ontario Hydro does with subsidized rates for far-out communities.

Mr. Charlton: Does that imply that you are going to be doing transportation yourselves?

Dr. Chant: No, we are not. But we may subsidize the transportation to take it easy on industries that are farther away from the Golden Horseshoe, where the plant location is indicated. These are only examples; we do not have a business plan that embodies them at the moment, although we will have. They are the kinds of considerations that have to be—

Mr. Charlton: The transportation aspect raises another question that I have posed before as a concern, and that is long-range transportation. I understand the Ministry of Transportation and Communications is ultimately the ministry that is responsible for the regulation of highway transportation at least. I guess railway transportation is a federal jurisdiction.

Have you as a corporation looked at the present highway transportation of industrial waste in this province? Do you think it is adequate? If you do not, will you be making recommendations to the government on those kinds of questions?

Dr. Chant: There are a couple of points on that. One is that the members of the Ontario Trucking Association themselves made a representation to the Minister of Transportation and Communications (Mr. Snow) about a year and a half ago on the ways in which they felt the regulation of the waste hauling industry should be improved. There were three basic themes, as I recall: better driver training, better equipment standards and better labelling. We have publicly supported them to the Minister of Transportation and Communications in the proposals they made.

Mr. Stokes: And uniform Canadian standards as well.

Dr. Chant: That would be in Ottawa's Transportation of Dangerous Goods Act. The OTA is also, of course, interested in that.

More practically perhaps, again looking at the German experience, regardless of what the legislation is with respect to trucking toxic wastes, over and above that, the treatment plants exercise their own control. They will not accept wastes that are not in fully up-to-standard equipment, for example. They will not accept

wastes from trucks that do not maintain certain standards of cleanliness. They insist the trucks be washed before they leave the facilities.

At the plant in Frankfurt, where I was last week, there was a dramatic example of this. A trucker came in with a second load of the day, and he had obviously not washed his truck since the first. They impounded him and said: "You cannot operate until we wash your truck. We are going to charge you for that and for the time you are sitting here waiting until we get around to it." The trucker had to pay, not the waste generator.

It is a tremendous incentive to live up to the standards that are being imposed by the treatment facility, over and above the basic standards of the transportation authorities in West Germany. I think we can exercise some control and say that we will not accept wastes that are transported by means that are not safe or satisfactory.

Mr. Riddell: Whichever site is selected, would transportation be predominantly by truck or by rail?

Dr. Chant: We have not ruled out rail, but rail has not been a primary factor in site selection for a number of reasons. One is that rail is relatively inflexible. If you have rail from point A to point B, you have to have a collection station at point A, where the wastes come from. The railway does not go into all the individual plants in that community.

The second point, which is a personal one, is that I do not trust Ottawa not to close rail lines. If we were to build a plant that was dependent on a rail line, Ottawa could pull the rug out from under us without asking our permission. I do not have faith in the stability and consistency of rail transportation.

Mr. Elston: Surely you would be allowed to provide input to the rationalization of that rail line. They have closed just about every rail line that is not main-line now, certainly in southwestern Ontario.

Dr. Chant: I know. I do not think there has been a great deal of success in dealing with Ottawa, irrespective of the government. I guess we have not tested the new one as to its sensitivity to closing rail lines.

The third point is more practical, though. Loads by rail tend to be much larger in volume. The consequences of a rail spill—because of that very large volume, far more than would be carried in an individual truck—would be potentially much more serious than a truck accident. There are fewer rail accidents, but their consequences are more serious because of the high volumes carried per tanker conveyer.

Mr. Stokes: And a mixture of commodities.

Dr. Chant: And a mixture of commodities. There is rail access to the incinerator we saw in West Germany last week. They use it as a supplement. The bulk of the transportation is by truck, but they also have rail access for certain high volumes of relatively low concentrations of waste from certain very intensively industrialized centres. They use it as a supplement to the truck transportation. We have not ruled that out.

Mr. Riddell: Whether it be transportation by truck or by rail, are you looking at a situation similar to what we saw in Denmark, where the waste will be completely enclosed and pumped out? I imagine it will be transported by tank truck and pumped out through lines into the rotary kiln or whatever—

Dr. Chant: Into the holding tanks. It is sometimes pumped out. I have learned a lot more since that trip three years ago. It can be sucked out by vacuum into holding tanks.

Regardless of how you transport it, assuming you use safe facilities, the key is your primary identification of the load by the laboratory facilities as it comes in the gate. If you do not do that, you are dead. You have to identify each load as it comes in through a thorough sampling technique. The truck is held until the load is verified. If it does not check out, the truck is impounded, for days if necessary, until they check back and find why the load is at variance from what the customer should have been sending.

This is even more rigorously applied in Europe than it used to be. That sampling is regarded by everybody as being the primary key to successful operation. If you do not know what the waste is, you cannot treat it properly. If a supplier is sending you the wrong waste, where is he getting it? If it is not his, whose is it? They take that really seriously.

Mr. Haggerty: Do they have a number of holding tanks for different types?

Dr. Chant: Yes.

Mr. G. I. Miller: How many acres for each site?

Dr. Chant: Leaving aside the landfill?

Mr. G. I. Miller: The whole—a combination.

Dr. Chant: If it were altogether, the landfill would be about 275 acres. If we had a phys-chem plant and incinerator alone, we would be talking about something like 28 acres for those to sit on and occupy with dyking. But yes, holding tanks are a major feature of these facilities; in Europe they will have 20 or 30.

Mr. Haggerty: You are going to have acres of land available just for holding tanks until you can process it.

Dr. Chant: We are looking at perhaps 10 acres or something like that for holding tanks. But that is standard. You have to have a holding tank for the small quantities of waste that trickle in, so they can build up over a period of months to make it worth while to treat them. Other wastes may be in the tank for a very short time.

Mr. Haggerty: Will these be in-ground or above-ground silos?

Dr. Chant: They are mostly above ground, with bunkers built around them, fire walls between them and individual control systems. They are very sophisticated tanks. They are very much like the tanks you would see in a petrochemical industry. They are well monitored and well controlled, with all the safety apparatus required.

Mr. Charlton: Could I ask one last question before we run out of time here? I want to stay on the transportation issue and relate it back to the reduction and recycling issue. You said basically that with the reduction recycling issue you are going to have to be out there, at least initially, looking for the most potential, the biggest buck for the bang.

10:30 p.m.

Dr. Chant: Bang for the buck.

Mr. Charlton: Bang for the buck, yes.

I hope there will be one exception to that with respect to priority. Where you have a particularly hazardous waste that is going to have to be transported particularly long distances, such as something from the far north, I hope that kind of situation will be a priority with respect to looking at the alternatives.

Dr. Chant: That is a good point. The priority of wastes that will lend themselves to reduction and recycling is partly on volume, partly on ease of changing process design and partly on toxic nature of the waste. When you add all those together, you can come up with a priority list that combines those various features; but toxicity, difficulty of transportation and potential for reducing or recycling those wastes are definitely factors in our planning.

Mr. Chairman: I still have two speakers. Before we adjourn, I wonder if the committee would be interested in having Dr. Chant come back tomorrow instead of getting into our estimates.

Mr. Haggerty: What time tomorrow? I would like to get into it because it could be located in the Niagara region—

Mr. Chairman: Our normal starting time is 10 a.m.; so it would be 10 a.m.

Mr. Elston: We are always on time.

Mr. Chairman: We always start our meetings right on time, as every member knows.

Mr. Haggerty: Who is next on the list?

Mr. Chairman: You. We have two and a half hours left on these estimates, which eats up tomorrow morning.

Mr. Elston: Is Dr. Chant available? I think that is the question.

Mr. Chairman: Are you available tomorrow, Dr. Chant?

Dr. Chant: I am virtually certain that I am.

Mr. Charlton: I would like to see Dr. Chant come back in the morning, if it is possible, but perhaps we should set a time, say an hour, for a continuation of our discussion with Dr. Chant. There are only two and a half hours left, and we have a number of other topics we have not yet dealt with.

Hon. Mr. Brandt: There are other things we want to deal with as well.

Mr. Charlton: Can we agree to one hour?

Mr. Chairman: One hour. I have Mr. Haggerty's and Mr. McGuigan's names down as the leading speakers, and Mr. Riddell and Mr. Stokes.

Dr. Chant: You would like me to be here at 10 a.m. tomorrow.

Mr. Chairman: About that, yes.

Dr. Chant: I will stay as long as you want.

Mr. Chairman: One hour.

Mr. Elston: In view of the minister's advice to us that they have approved more money than appears in our book, are we voting tomorrow on the amount that is shown in the book? Are we voting in terms of the amount that the pressure point system is providing? What in the dickens are we voting on tomorrow when we get to votes?

Mr. Chairman: We are voting on the printed matter before us.

Mr. Elston: We would be confirming something that is substantially less than the minister has affirmed at this point?

Mr. Chairman: That is right.

Mr. Elston: Or what his cabinet colleagues have approved at this point?

Hon. Mr. Brandt: By the way, this is not unusual. I know you are not suggesting in any way that it is. We did this last year. You may recall, Mr. Elston—and I know Mr. Charlton will

recall, because he has a very good memory—there was a discussion around this very point and there was concurrence, on the part of the committee, that it made sense to do it this way.

Mr. Elston: That was last year.

Mr. Riddell: I think we have Sears and Sunoco under pressure point budgeting too. It is certainly not a precedent.

Mr. Chairman: You do not have to answer that question.

Mr. Charlton: That is okay. Now that they have their Tory colleagues in Ottawa, they are going to sell their 25 per cent share in Suncor to Petro-Canada.

Hon. Mr. Brandt: That too is a question for another day. I would like to say only that we have dealt with the pressure point financing through supplementary estimates, and we are quite prepared to deal with that again this year. We are

not trying to hide anything from the committee. We are only indicating the method of financing, which was discussed, Dr. Chant, last year.

Dr. Chant: It was exactly the same system last year. The amounts were different, but the system was the same.

Hon. Mr. Brandt: That is right, and it reflects itself in the numbers that you have in front of you.

Mr. Charlton: Presumably you are going to have to come forward at some point with supplementary estimates.

Hon. Mr. Brandt: That is right.

Mr. Chairman: This meeting is now adjourned; we shall reconvene at 10 a.m. sharp tomorrow.

The committee adjourned at 10:34 p.m.

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Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of the Environment



Fourth Session, 32nd Parliament
Wednesday, October 24, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, October 24, 1984

The committee met at 10:06 a.m. in room 228.

ESTIMATES, MINISTRY OF THE ENVIRONMENT (concluded)

Mr. Chairman: Before I call on, Mr. Haggerty, Dr. Chant would like to correct the record from last night.

Dr. Chant: I have a clarification, Mr. Chairman, on the issue of patents, which came up last night. I have been reminded since then that our contracts with engineering firms provide that OWMC shall be the sole owner of all inventions, designs, ideas and so on, that are developed in the course of that work. I wanted to clarify the record on that point.

Mr. Chairman: Mr. Haggerty, you have a question or two.

Mr. Haggerty: Yes, Mr. Chairman. I take some exception to page 8 of Dr. Chant's opening statement. I can see his point, looking at it from his side, but I think one also has to look at the situation from the American side. He said,

"Last June the mayor of Niagara Falls, New York, indicated in a scheduled press conference to the mayor of Niagara Falls, Ontario, that he wanted nothing to do with another industrial waste treatment facility near his community," calling the possibility of Ontario Waste Management Corp. siting its facility in the Niagara Falls area a "johnny-on-the-spot in a rose garden."

I think those two comments are perhaps well put. Dr. Chant says: "As an environmentalist but mostly just as a citizen of Ontario, I was outraged then, and still am now, over these remarks. If there is one place in all of North America that has vividly illustrated the need for proper treatment facilities, it is his own community, in which both the Love Canal and Hyde Park dumps are located."

He is quite right in that statement. However, again, one has to go back and look at the difficulties on the American side with respect to the Love Canal report and the involvement of the Environmental Protection Agency and the environment staff of New York state, where one of the proposals was that, to remove the hazardous waste, it was going to truck everything down through the main thoroughfare of the city of

Niagara Falls. Just how much can people be subjected to another event which could cause some problems even in the major section of the city?

When one looks at all the problems they have had, and perhaps the lack of confidence in the experts on the American side in cases where they have been misled, I would be alarmed, too, that we are going to have another event on the Canadian side.

In that case, we could have a more serious and compounding problem than those that exist on the American side, on the question of moving people back into the Love Canal site. There has been considerable concern on the part of local politicians and other environmentalists on the American side. I would like to quote from an article in the Viewpoints section of the Buffalo News, written by Irwin D. Bross, president of Biomedical Metatechnology, Inc., at Eggertsville, New York. It is dated October 31, 1983.

"More Canal Dioxin Tests Seen," says The Buffalo News headline for October 21. The story tells how our two senators and Rep. John LaFalce extracted this 'concession' from EPA.

"It is time this charade stopped. This do-another-study ploy no longer fools the concerned citizens of Western New York who live near dump sites. They now know that these studies are not done for their benefit ('Scientist Says State Betrayed Public on Dump Cleanup', Buffalo News, October 4)."

It goes on to say: "There are grave ethical issues here. Admittedly, the physicians and scientists in the state and federal agencies that endorsed the EPA report were under heavy pressure from the Reagan administration for their own administrators to endorse habitability findings that would please the chemical industry."

"The Center for Disease Control held out until just a few hours before the EPA report had to be released. In my view, however, there can be no excuse for any professional person endorsing a habitability claim that would endanger the health of anyone moving back into the resettlement area on the basis of this assurance. A professional should have resisted the pressure even if his job was at stake."

"When there is collusion between at least four separate government agencies to endorse this

dangerous assurance 'in the name of science,' this is not merely betrayal of the public trust. It is institutionalized betrayal of the public trust that should not be condoned or covered up; it should be punished.

"Unless and until vigorous action is taken to ensure that it will not happen again, the public can place little reliance on any future assurances of safety from state or federal health and science agencies."

I am not here to defend the mayor, but when I see what has taken place on the American side, perhaps I would also have some mistrust, and say: "Can we believe the professionals in this particular area?" I will see that you get a copy of that, Dr. Chant.

They were going to remove all the landfill over there. Another Buffalo News article by Paul MacClennan says that the removal of about one million cubic yards of "highly chemically contaminated material" from the Occidental Chemical Corp. S area dump would cost from \$121 million to \$254 million. It is also estimated to entail "carting 49,750 truckloads of highly toxic material through city streets, exposing residents and workers to toxic fumes from the old dump."

I think the mayor was right in what he said. Perhaps it did not come through in the manner that it should have, but it may well be a Johnny-on-the-spot in a rose garden. If one looks at the sites proposed here—the E, F, G and H sites on the Niagara peninsula—they are right on a peninsula that is perhaps 40 miles across from Lake Erie to Lake Ontario and about 40 miles from Niagara Falls, Ontario, and Niagara Falls, New York, back almost to Hamilton and the Stoney Creek area.

When one looks at that, it is a rather sensitive area in which to be putting a recycling or waste management site because there are bound to be risks that follow. The experts on the American side have said the same thing. They can occur from foul, contaminated air. What they have said on the other side is that there is no really safe guarantee that even if they went to a landfill site and removed all that toxic waste and brought it to another site, they would be out of danger.

The Paul MacClennan article notes that "the other landfill is going to leak at some time." According to a source in the EPA, "It may be 100 years or 1,000 years, but it's going to leak. There's no such thing as a permanently secure landfill that won't leak." That is, again, from some experts on the American side.

What you are going to do in the Niagara Peninsula—it is too sensitive an area. I had

written Dr. Chant a letter back in June of 1983, just after our session with him in the Liberal caucus on the matter of location of a waste site in Ontario. My main concern then was the sensitive area and being so close to two large bodies of water that are perhaps heavily contaminated now. I said that he should not increase any further risk in that area that may affect the people in the communities there.

What I stated at that time was that a health study should be carried out by the Niagara regional health council. Their interim study showed that the mortality rate in the region far exceeds that of other areas in Canada and Ontario. In particular, it showed increased numbers of respiratory diseases, cancer of the lung and liver and cardiovascular problems. Before any new chemical industries are permitted, or waste disposal facilities constructed, a thorough examination of all environmental and health-related problems should be given top priority in the research.

I suggested that before you ventured into proposing a site in this area, this study was most important. It should be done. Just recently that first report has been confirmed by the federal Ministry of Health and Welfare. There is currently funding from the federal government, which has been requested by the medical health officer in the region, Dr. Mills, to go into further health studies in this particular area in relation to what is causing all the diseases.

It may be because of the sensitive area that we live in down there. Much of the pollution that is coming through the Great Lakes may be crossing the Niagara Peninsula and causing all of these problems. I do not know.

I attended a 75th anniversary with the Deputy Premier (Mr. Welch) in St. Catharines last Thursday night, marking the establishment of the Shaver Hospital for Chest Diseases, one of the well-known respiratory disease centres in Canada. I can recall that family physicians in Port Colborne have indicated there is something within the Niagara region that causes these problems. They have often stated that because of the location on the Great Lakes basin we are subject to all the foul air, the contamination of water and everything else that comes down to the Great Lakes basin.

Before the minister gets to name a site—and I understand the one in Niagara Falls and the one at Smithville in the area of Bismarck, West Lincoln, may be proposed sites—I want him to take a close look at the matter of health factors already existing in that area. Should we be

subject to any further risk? There is nothing that is going to be foolproof in the design of this waste management site.

There are going to be silos, I guess one would call them, holding tanks for containing the liquid waste material, some of it probably of a toxic nature, and heavy metals. Then, too, I question the number of trucks that are going to be using the roads in the peninsula. It is bad enough now driving on the Queen Elizabeth Way without loading it up any more.

I also wonder whether the site proposed in this area, close to the American border, would involve a corporation that perhaps will be handling more waste from the United States on this side. Is it strictly going to be for Canadian industries for recycling and modifying or reclaiming some of the waste material—neutralizing it or whatever term you want to use? I suggest that the road network in the Niagara region just will not handle the number of trucks, all that tonnage that was mentioned last night, up to 350,000 tons.

10:20 a.m.

Moving to the east side of the Welland canal, there are the canal and the tunnels to contend with, as well as the trucks. In the event of an accident there, the canal could close down for months. The cities of Niagara Falls, St. Catharines and Welland depend upon the Welland canal for their water supply. I suggest the risk is too high even to consider it. I have suggested in my letter to you that the facility should be at some remote area in the province.

I support the Ontario Waste Management Corp. in finding a suitable site, but it has to be safe and away from builtup areas. I want to see the risk in that area reduced as much as possible. To have the facility located in the peninsula is to have it in too sensitive an area. My feeling is that is going to increase the risk of other health problems in that area in case of that event, and I do not want to see that happen.

Mr. Chairman: Dr. Chant, could you respond, please?

Dr. Chant: I would like to respond to a number of those points, Mr. Chairman. I am very sympathetic to what Mr. Haggerty has said, but taking these in sequence, all areas of Ontario are sensitive areas in this context. I do not think there are any that are more or less sensitive than any others.

You raised the possibility, as people often do, Mr. Haggerty, of putting these wastes in some remote area of Ontario. Unfortunately, there are no remote areas of Ontario with the kinds of

environmental conditions that will provide the security for these facilities that we are looking for—the deep clay, particularly.

There is no deep clay in the north, for example. People say, “Why do you not send it to the north?” The reason is that the north is the rocky pre-Cambrian shield area that provides no security whatsoever for these facilities. I think we have made it plain that we are looking for the environmental conditions that will provide the safety we all hope we will find, and those conditions are found in southern Ontario.

You say there is no guarantee, and of course there is none. I have gone out of my way in public speeches to say that nobody can give a 100 per cent guarantee about anything in this life, whether it is a treatment facility, driving a car or everyday life. We live in risk situations all the time.

The one guarantee I can give, though, without any reservation whatsoever, is that without these facilities pollution of the environment and toxic wastes will continue and the risks from those wastes will continue. That is a guarantee.

I am aware of your concern over the health situation in the peninsula. I have seen some of those reports. I do not know what the cause of that is in the peninsula, and you have pointed out that nobody really knows, and we should find out. I agree with that. However, in some other areas where studies have been done, it has been found that the health situation is caused by lack of facilities. The toxic wastes are not being treated properly and are going from industry into water and into the air untreated.

Perhaps the most important point of all that I can make is that, contrary to some public impressions, our facilities are to prevent pollution, not to cause pollution. I would hazard the guess, and it is only a guess, that the health situation in the general Niagara area on both sides of the border would be better if we had had a facility like this, say, a decade or two decades ago, so that the leakage of material into the Niagara River and the general emissions of material into the atmosphere in that area would not have happened. We would have had proper treatment facilities.

With respect to trucks, I know this is a concern of all the communities in which we have candidate areas. There are only two things I can say about that. One is that despite the volumes of waste that we speak of, the trucks carrying the waste would add only a very small fraction to the very large numbers of trucks that are already on our highway systems. There are 60 to 80 disposal

trucks a day on the Queen Elizabeth Way, Highway 401 and the Gardiner Expressway. That is just a drop in the bucket compared to the number of trucks that roar by there all the time.

Even more important—and I think people forget this too readily—is that if you want to look for hazardous products in trucks, do not look at toxic wastes. They are easy to contain if there is an accident. Look at gasoline, butane, chlorine and sulphuric acid. These are all products; they are not wastes. They are already on our highways in far larger volumes than anything we could contribute in the way of trucking hazardous waste around. That is the most important point I want to make.

Mr. Chairman: Thank you, Dr. Chant.

Mr. Riddell: Carrying on from the dialogue that Mr. Haggerty had with Dr. Chant, I would be interested in knowing what new technologies you have seen on your trips to Europe subsequent to the trip by the committee to Germany, Denmark and England, I believe it was.

What reaction did you get from the people living in the vicinity of the waste disposal site? What process did they go through to establish that kind of a site, and what were the reactions of the people when they learned that industrial waste site was going to be established within their area?

I have been one of the members who has always felt that people become a little paranoid when they hear about an industrial waste site being established in their area. I made that comment, I know, when we were considering the estimates at the time Dr. Parrott was the minister, and of course there was all kinds of publicity about my comment.

I was tremendously impressed with what I saw in Denmark, I believe it was. The wastes were completely enclosed. It looked like a good operation. The people were happy to have the industry in the area. Was it not Denmark, Dr. Chant, where some of the waste heat was being used to supply energy to the homes in the village adjacent to the plant?

Dr. Chant: It was the Ebenhausen plant.

Mr. Riddell: I am one who believes that we have to do something before too long to treat these wastes. However, I am not saying we should bypass any thorough assessment. I think we are always going to get the "not in my backyard" attitude, and yet I do not think the people living in the areas where these sites are already established in Europe are complaining. I do not think they are encountering any health hazards.

I do not think there was a great reaction when they learned that there was going to be a business established whereby there could have been 100, 200, 300 people employed. When we looked at some of these plants in Germany, Denmark and England, I believe they employed as many as 200 people at these plants, and the people seemed to be happy to have this kind of employment.

I would like to know what reaction you have been getting since you accompanied the committee on the trip to Europe, three or four years ago.

Dr. Chant: It was in January 1981.

Mr. Riddell: Are we a wee bit paranoid in this country about having a plant established to handle liquid industrial waste? Is it the liquid industrial wastes that frighten people, or is there really all that need to be concerned?

Again, I am not saying we should just go ahead without any kind of assessment. I think there has to be a hearing and a thorough assessment. However, are we not being a wee bit paranoid about this type of a plant being established somewhere in Ontario?

I know we have to get something started. We simply cannot have midnight hauling and dumping. For all I know, the stuff is being dumped in the ditch that runs by my farm. I have heard that it has been as close as that; so I am going to tell you that I would far sooner have suitable treatment of waste than having some truck come along and dump the stuff in the vicinity of my place, where it is running down the ditch and into the water stream that my cattle are drinking out of, and what have you.

Just putting a little different flair on it, I would like to know what you are finding in your visits to Europe.

10:30 a.m.

Dr. Chant: Let me try to reply. In answer to the paranoia question, I guess the answer is both yes and no; it depends on where you go in Europe.

However, let me go through the issues you have raised. Regarding new technologies, you will recall that when we saw the Ebenhausen plant in West Germany, just north of Munich, it was regarded as being the most complete system in the world because it had both phys-chem and the incinerator on the landfill. We have since seen much more modern plants.

For example, last week in the state of Hessen, which borders on Bavaria to the west, I toured the most modern system in the world, in my view. The incinerator there is about two years old, as distinct from eight years old in Ebenhausen. It has even better air-emission scrubbing devices

and that kind of thing. For example, there is no air-scrubbing water released to the environment; it is all evaporated within the plant, using the waste heat from the incinerator itself, so there are no effluents whatsoever. The monitoring system for the stack gases is much more sophisticated now than at Ebenhausen, even though that one is good. In my view, this one is much better.

The physical-chemical plant I saw in Frankfurt, a week ago today as a matter of fact, is much more modern than the one at Ebenhausen. In addition to having the latest technology, the Hessen plants are the most efficiently run that I have seen anywhere. They are spotless, there is no question about that. They even take care of odour problems by having a completely self-contained air system within the plant. No air gets out. It is situated next to a residential development on one side, next to small industry on two other sides, and literally next to an autobahn on the fourth side.

With respect to the people in the vicinity of the sites, on this and previous trips we have met with the elected representatives from the area. Last week I met with the mayor, some of his councillors and a member of the Hessen state legislature with respect to these facilities in Hessen. They professed not to have any problem with it, speaking for the local people.

To be blunt about it, the problems were coming from members of state-wide environmental groups who did not live in the area; one week they were sitting in at the landfill, the next week they were occupying an airport because they were opposed to the extension of a runway, the next week sitting in at a nuclear plant and the next week sitting in at a new highway development. The director of the Hessen state treatment facility, Dr. Erbach, becomes apoplectic when he talks about these environmental groups. He calls them all Greens.

If I may divert just for a moment, a big difference in the state of Hessen is that the Green Party has 20 per cent of the seats in the legislature. The issue of the waste treatment facility is debated in the legislature almost daily. I suspect that would be a fairly familiar situation to the minister, but the Green Party gives much more focus and heat and acrimony to what they have to deal with.

The process of establishment is quite varied. In Bavaria, you may recall, Mr. Riddell, that plant is 10 or 11 years old now, and when it was established there was far less environmental sensitivity both in our country and in Europe generally. Dr. Vogl, who met with us that

morning in Munich, when asked how he found a site for these facilities, looked at us and said, "We applied the regulations." There was no site selection and no hearing at that time.

With these newer plants in Hessen, they have had a very extensive system of environmental hearings, with public involvement, but they did not have to go through the site selection process that we are going through because they had identified a site for some reason or another. Their incinerator is in an industrial zone, surrounded by agriculture, and they chose that because there was an old-fashioned incinerator there that had a permit for emissions. When they bought the land, they got the permit; so they too could have the emissions from a modern incinerator. There was no site selection.

In each case, when you look at the sites they have in operation, there was a reason somewhat like that for them, whereas in Ontario we have taken a totally different line. There is no guarantee that the site for the incinerator in Hessen is the best site, environmentally, atmospherically or any of those things. I think it is a very good site, but it is almost by accident rather than by the deliberate design we are going through in Ontario.

We could learn very little from them about site selection, except that these plants, and this is an important exception, can operate far closer to a village—as in Ebenhausen, where it is right over the fence—far closer to residential developments, to light industry, to autoroutes and that kind of thing than we would contemplate because they do not have the concept of buffer zones in Europe. That might be the biggest difference. We believe in a buffer zone of a minimum of 450 to 500 metres around anything we would build. In Europe they are quite happy to have something across the fence. It has a benefit, because Ebenhausen gets steam heat from the plant—the distance is very short and makes that economical—but I prefer the buffer zone concept, in which we try to find maximum security and maximum safety for the facilities we are looking for.

That, briefly, is the response to Mr. Riddell's questions. I think they are very well put. I go back to the point I made last night, that I do not think for a moment that we need to defend having our engineers and site selection people go to Europe, because that is where the action is. That is where the plants were. That is where you and I and Dr. Parrott felt we had to go three years ago. That is where you learn about these things.

Mr. J. M. Johnson: I have three points, two of which I will touch on and one of which I would

like to delve into a bit. The first is that I strongly support everyone's concern that we must have a safe and secure site, and it must be to the degree that everyone is satisfied that it is so.

Second, you mentioned Hessen. Is there any feasibility, at the time a site is selected, that a delegation from the municipality could be invited to go there?

Dr. Chant: We fully intend to do that. We would ask the municipality to identify the people it wanted to go. We would not choose them. In fact, if they did not even want us to accompany them, that would be fine with us.

It would be extremely useful if the people could go there, not just to see the facilities but to talk to the local mayor and councillors and the person on the street, if they wanted to, to see exactly what the reactions are to the kinds of questions Mr. Riddell raised. That is a very important feature of what we will be doing, once we have a preferred site and a preferred community.

Mr. J. M. Johnson: Back in 1981, when we were in West Germany and we spoke to the mayor of the community, if my memory serves me correctly, he said at the time that there was only one complaint they had not resolved. There were two complaints, a very minimal number. I think we were all surprised that there was so little opposition to it. I think there was a subdivision immediately adjacent to it.

Dr. Chant: There were two complaints, and one of them has been taken care of. The other one was about noise from the incinerator; that has not been taken care of. They have a very short stack because of the American jet fighter air base next door, and they have to use a very noisy fan to blow the emissions up the smokestack. That is the same as it was then.

The other complaint was about the noise of the trucks—not the congestion or the hazard, but the noise, particularly at night and in the evening. They have taken care of that by developing a new route of access that goes around the village instead of through those very narrow Bavarian streets, which you will recall. The mayor now says he is satisfied with the transportation aspect. The noise is still there.

Mr. J. M. Johnson: My last point, one that has been a concern to me for many years, is about compensation. I have had an experience with the hydro transmission corridor through my riding, and I realize the problems that go with it.

The thing that sticks out in my mind is the case of one individual who was totally opposed to disposing of his property or living on the farm

after the lines went through. He cited health, safety and environmental reasons—there were many reasons, but price was never one of them. I remember that after it was settled, and it was settled to his satisfaction, the headlines in the paper said, "I Won; I Got my Price." People do not talk about price as being the most important aspect, but I think human nature quite often indicates that an individual does think in terms of price. I think we fool ourselves if we do not accept that.

I for one believe that people are entitled to more than some people would consider as fair compensation. If they have to give up something they have a love for—for example, land; I am talking in terms of bicentennial farms, and many people and their families have lived in communities for 100 years or more—it is something different having an appraiser come in and say, "Your house is worth \$100,000." Maybe that is a fair market price, but there is something more than dollar value. If they have to relocate, surely there should be some compensation that would be much more than just a fair price.

Sometimes I think that if we were to double the price, it would not be out of the way. That likely would not sit well with the government; they will think we are wasting money. But when you think of the money we spend in courts and on legal fees, it might be much less expensive and make people happier, if they can be happy. However, if they have to become involved in an expropriation process, or they realize they are going to be in an area you have selected, then let us do everything we can to see that they receive much more than just a fair market price.

10:40 a.m.

Dr. Chant: I agree with the thrust of Mr. Johnson's remarks. Let me make a couple of comments. One is that we are now developing policies with respect to compensation and benefits for the community. We have to make a distinction between the people who live on the land we would require—the land owners—and the neighbours. In some instances, the neighbours may be quite far from the boundaries of the site.

Without wanting to make any commitment at this stage, again in Europe we learned that the fire engines and emergency equipment in one of the plants are made available for any accident in the community. This is not related to the toxic waste issue at all; it is just a benefit to the community to try to provide some worthwhile service. There are a lot of interesting possibilities along those lines.

I remind the committee that in South Cayuga, when we wanted to get on the land to do the testing that led to the hydrogeological results that finally resulted in our turning down that site, one condition I established was that we would not go on those sites to test them until the 28 land owners were satisfied with what the expropriation conditions would have been.

Those land owners had a single lawyer, and all 28 agreed with the expropriation procedures and provisions that the government—not the Ontario Waste Management Corp.—had made. That says to me that 28 land owners—they were farmers and retired people; quite a rich mixture of people—were satisfied with the provisions, and voluntarily so. I find that quite reassuring.

Mr. J. M. Johnson: On the same point, Dr. Chant, many people are concerned about the future. They may not be in the immediate vicinity but a few miles away, and they are concerned about the water table; they are concerned that at some time in the future they will pay a price for that site selection.

Is there any way we can assure the people, whatever distance away, that in the event something happened they would receive compensation—for example, if they lost their water supply and it could not be restored, it would be piped into them or something of that nature—so they will not have the concern that at some time, five, 10, 20 years from now, they might suffer some disadvantage?

Dr. Chant: I am sympathetic with that. The practical problem is how far out you go and still feel there is a reasonable case—

Mr. J. M. Johnson: I would think anybody who could prove the problem was from the location of that site.

Dr. Chant: That is a very important point, and I agree with you. If they can prove it, that means they could go to court, and if they can go to court, why go to court?

Mr. J. M. Johnson: Well, if we can keep it out of court—

Dr. Chant: I would agree with you totally. I will not say any more about lawyers' costs, but why go to court if there is a provable case? I think the way to do it is to settle amicably. One important feature of developing these policies on compensation and benefits, after reviewing those that are practised by various agencies in Ontario, and in Canada generally, to find out what the precedents are, is that we do not want to carve them in stone until we know which community we are talking about.

Each community will have its own views about compensation and benefits. Maybe a community would not be interested in a fire truck but would be interested in a special piece of equipment for the hospital that might be used in an emergency. Before we finalize our policies in this regard, we should hear from the local people and find out what their major concerns are and how we might meet them.

Mr. J. M. Johnson: The last point I would make is again on the nature of compensation. Sometimes if the people who create the problems are the ones who are going to solve them, then there is no problem; but for municipalities that receive no tax benefits from industries that are creating the problem, it is hardly fair that they have to put up with it.

Is there any way there could be a type of levy that could come from one municipality and be transferred to another, or if that becomes too complicated, then simply some bonus to the municipality to benefit it in some way for having, let us call it, a new industry?

Dr. Chant: There are many precedents for crown agencies in Ontario paying grants in lieu of taxes to communities where they have facilities. That is certainly something we are looking at. There are abundant precedents for that.

The only basic principle I can point to is that I think the Ontario Waste Management Corp. should pay its own way. You asked me what that means in detail. I cannot reply at this stage because we are still in the phase of policy formulation.

I cannot see why our facilities, as a crown agency, should be a financial burden on a community, in addition to all the other fears that the community has with respect to these facilities. I think the principle of paying our own way is a very good one, and one we will try to live up to.

Mr. Havrot: I would like to come back to the statement of revenue and expenditure.

I notice there is a 50 per cent increase in the budget over 1983. I was wondering whether Dr. Chant could explain why the salaries and benefits, for example, have gone up 100 per cent, technical engineering consulting services 60 per cent, occupancy 100 per cent—there are a few other figures. Some have dropped and some have risen dramatically. I wonder just what these items would cover.

Dr. Chant: I do not know what document the member is referring to, Mr. Chairman.

Mr. Havrot: The statement you gave us last night.

Dr. Chant: The simple answer is that we have been asked to build something, and you do not build something on a stable or declining budget. You build something on an increasing budget as we staff up to design, get approval of, build and operate these facilities. I would fully expect our budget to be increasing in the ways the member has pointed out.

Mr. Havrot: Are you building a physical plant, per se?

Dr. Chant: Yes, indeed, treatment facilities.

Mr. Havrot: There is a 60 per cent increase, for example, in technical engineering consulting services. What would that cover?

Dr. Chant: It covers the design of a \$75-million plant. You do not get the design from a major engineering firm for nothing. As we move into the design phase, with conceptual engineering as part of our submission to the hearing panel, we have to pay for it. As we move through that phase, the costs go up. As we move past that phase, the costs will come down.

We will then move into the detailed design engineering, and the costs will go even higher for 12 to 18 months while the design is going on. As we move into construction, the design costs come down and the construction costs go up. Each of these things is in phase over a period of time until, finally, we have the plant established, open and in business.

Mr. Havrot: Are you hiring technical engineering staff to do this?

Dr. Chant: No, we are not hiring technical engineering staff. We are hiring consultants.

Mr. Havrot: Consultants, I mean. All right. However, the salaries have increased by 100 per cent. Has your staff increased also, along with the hiring of consultants?

Dr. Chant: Yes, indeed, our staff has increased. Three years ago we had no staff, no budget, no offices, no board, no chairman, nothing. We are creating a corporation that has a job to do, assigned to it by the government and by the Legislature. Of course, we have to staff up to meet our responsibilities.

Mr. Havrot: What would the occupancy, which is up 100 per cent, cover?

Dr. Chant: That would cover rental of office space.

Mr. Havrot: In other words, the rent has doubled, or the occupancy has doubled.

Dr. Chant: The space requirement has doubled.

Mr. Havrot: I see there is also a dramatic increase in publications.

Dr. Chant: Yes. We are on the threshold, within a couple of weeks, of releasing to the public and distributing to the hearing panel, 18 technical reports on site selection, engineering design, atmospheric conditions, sensitive agricultural crops, and hydrogeology.

These 18 reports will be literally stacked that high. We have to provide copies to all the interested agencies, all the interested people, and all the interested communities. Of course, it costs money to print and distribute these reports.

That will not be the last flush of reports. There will be other similar piles of reports that will come out in the next year or year and a half.

10:50 a.m.

Mr. Elston: I have two or three questions to follow up on from last night, more particularly with respect to the issue of polychlorinated biphenyls. I wanted to indicate that I had gone through some of the material that we dealt with before on PCBs. You did not indicate you were not going to deal with them. You expressed a desire in our meeting of June 8, 1982, that somebody else would deal with the problem. That is the quotation I remember.

Dr. Chant: Mr. Chairman, if I could just interject, I think there is an even more explicit one on the record of this meeting on October 13, 1983, which says virtually what I said last night.

Mr. Elston: My question is this. Since you are contemplating dealing with PCBs, are you going to be making specific recommendations with respect to hauling and transporting them to your facility? Bearing in mind that right now we are in the process of setting up regulations for the establishment of mobile PCB-burning criteria, can you tell us your position concerning that?

Dr. Chant: We have registered as a formal party to the PCB guideline hearings that are getting under way next month. We will be following those with great interest. Whether we will formally intervene as a party remains to be seen, because we do not know what will transpire.

Anything we might do with PCBs would be subject to the guidelines as they are finally set in place.

Mr. Elston: If I am not mistaken, those guidelines are for the selection of mobile destruction regulations and should not deal with you, I presume.

Dr. Chant: That is correct. We might get into the mobile incineration business.

Mr. Elston: So you are looking at a secondary field.

Dr. Chant: It is a possibility. I would prefer that the private sector take advantage of this opportunity. I know of some initiatives in that respect and I think some other crown agency and the private sector are thinking in terms of some kind of joint endeavour.

Our options are wide open at the moment. At least, let us look at the situation. If the private sector moves in, whether in partnership with a public sector company or not, whether it would be us or somebody else, the immediate objective is to destroy the accumulated PCBs that have come out of service over the last few years. The estimate of the ministry is some 20,000 tonnes. That is a bulge.

Once that is gone, there is a continuing need to destroy PCBs. There are still many transformers that contain them. At some time, they will come out of service and destruction will be required.

I do not want to be held to this, but my guess is that, after the bulge has been taken care of under the guidelines by other agencies, our role is more likely to be the continuing, although lower level, need to destroy PCBs long into the future.

Mr. Elston: The follow-up I have after that particular comment is to deal with the question of rate structure and cost.

Last night you indicated the difficulty you are experiencing in estimating the amount of waste you will be handling and the cost of disposing of certain liquids for generators. It may be more expensive to have the waste material disposed of by OWMC than it would be if the industry took the water out of their sludge and gave you the more concentrated stuff.

Have you got to a stage where you can determine what your fee structure will be like, and have you some idea as to how it is going to have an impact on the volumes of material that are going to be generated for your disposition?

Dr. Chant: The best estimate we have is arrived at by looking at price structures of existing treatment facilities. Our calculations now, made by our director of marketing, indicate that he sees no reason why our costs should be substantially different. The average cost is around \$150 a tonne, but ranging much higher and lower than that in some instances.

I am getting beyond any expertise that I have, but I think PCBs are a special case in regard to costs. I have heard that they could be as high as

\$1,000 per unit and I do not think that is a tonne, I think it is much smaller than that.

There is an element here of free enterprise and charging what the market will bear in a critical situation with respect to the continuing long-term storage of PCBs. That is an aberration that would not relate to our normal pricing structure. As a gross average, \$150 a tonne would not be a bad working figure, and in fact is ours at the moment, but we cannot answer in detail at this stage.

Mr. Elston: I am going to proceed to a second part of that question. I note you just mentioned to Mr. Johnson that perhaps you will get into the possibility of grants in lieu, which is something that Ontario Hydro does in host municipalities.

If you are at a point in your development where you are not sure how you are going to handle those particular questions and whether or not you will get into the issue of providing grants, such as Hydro does for improvement of roads in addition to grants in lieu and other things Hydro is involved in, how can you determine this big question about the Ontario Waste Management Corp. paying its own way? In fact, I am not even sure that some of the things you are doing are just about paying OWMC's way, if you can understand what I am saying.

It seems that you are going to be involved very heavily in the public relations end of the business as well, which would go beyond what would be seen as the private industries paying their own way type of formula.

Dr. Chant: That is a very good question. I would recall what I said last night, and I think the minister supported me, that our objective in the long term is to have a break-even operation. I emphasize the "long term." There is no way we can break even in our first year of operation; no plant can. In some of the plants we have seen in western Europe, it has taken as long as 10 years to reach a situation where they are beginning to do so.

All of that has to be considered and, with respect, I would suggest that some time in the future the Legislature and the government will be asked the extent to which they see these facilities as meeting a social need and therefore requiring subsidies to enable the operation to provide a full array of services and benefits to society in Ontario, particularly the community in which it is placed. I think you people will be asked that question.

Bluntly, if the response is no subsidies, then some of these programs probably would not be possible. If the answer is easing gently into the target objective of breaking even at some time, I

think we would all be easy with that situation. I still think it is a desirable target and I hope we achieve it.

Mr. Elston: Really, what I am indicating is that it is impossible to conceive of us getting into a break-even point for the corporation over a long period, even if we have taken the step, which I think has already been considered, of developing a public response to a very serious problem. I presume one of the reasons nobody else has done it is that breaking even was not a feasible target, let alone making money for investment down the road.

Dr. Chant: I think there are two reasons why we have been unable in Canada, not just in Ontario, to have the private sector provide these full services. We see our mandate, and I hope you do too, as not being able to pick and choose. Our job is to treat all the toxic wastes that require it.

The private sector—and I am not being critical—can pick and choose. They can select the wastes that require the least capital investment in technology and provide the biggest opportunity for revenue. That is fine. That establishes a certain situation around which we can work and to which we can relate.

The major point is that we have to provide full service and at times that may mean we have to accept wastes on which you could not possibly charge the full rate and on which, therefore, you cannot make a profit. It is a balance between, as I think I said last night, the cheap, easy stuff to treat, for which you may overcharge, and the very difficult material to treat, for which you may undercharge. You must try to balance these two as you go.

The situation with respect to the facilities in the government company in Hessen in West Germany is that they are not breaking even at present for a number of reasons, but they certainly have that as an objective in the long run. I think they will be able to achieve that.

11 a.m.

My second point is that the private sector is impeded and discouraged by the very high upfront costs in establishing these kinds of facilities: the high cost of the site selection process that we think is necessary, and I hope members agree, plus the high cost of public consultation to make sure that people are involved in these decisions and have information. That is not the kind of thing the private sector is willing to pay for, whereas I think we are obligated to, as a public agency.

The high upfront costs of development, including going to the very lengthy hearings, and the high cost of lawyers, technical witnesses and this kind of thing, is a very serious impediment to the private sector. I suspect that is the major reason the private sector has not been exactly eager to provide the full-service waste treatment facilities we think are required.

Mr. Elston: I have a question that deals particularly with a couple of points raised earlier by both Mr. Riddell and Mr. Haggerty. Basically, do you see the major confrontation, even during your hearing process, is based rather more on emotion than on technical data and detail from the people who are concerned with the establishment?

Dr. Chant: Yes, I do, but I do not demean it on that basis.

Mr. Elston: Nor did I intend to.

Dr. Chant: No, I know you did not intend to. I think that is a very legitimate concern. If I lived in one of these communities I would have concerns, even though I know a lot about the technical details and I am a scientist. It is not something that would happen in a community where you would expect the people to accept it without question.

I welcome most of the probing and questioning and some of the confrontation we have. I do not welcome some of it, quite bluntly, the far-out, almost hysterical aspect, even though I think I can understand that too. We are not involved in a fully rational process. You as politicians are much more familiar with that fact of life even than I am. It is a real situation and those people are not pretending they are concerned. They are concerned and we have to meet those concerns.

Mr. Elston: In terms of the interventions by local groups, the fact that emotion may play a big part in their intervention in the hearing process will not discourage their participation in public funding.

Dr. Chant: Not at all. As you know, we are not going to be the judges of who gets the money we make available for public funding. With the best will in the world, I doubt I could resist the temptation to interject a certain element of bias into decisions on who would get funding. I do not think I should make that decision.

We have arranged for third-party decision-making, using the funds we will provide. It is quite likely that people whom I personally find abhorrent will get funding, and they should. That is why we set it up that way.

Mr. Elston: The corporation itself will not intervene to make representations with respect to the funding?

Dr. Chant: Not at all.

Mr. Elston: It is going to be completely independent of your decision?

Dr. Chant: Yes. We have made suggestions to the hearing panel on what we think the criteria for funding should be. We think they are sensible criteria, but they are only suggestions. In our view, the hearing panel has to set those. They can accept our suggestions or they can have a whole different set of criteria that I might not like, but I am still bound, and I think I should be bound, to say: "You are the judge. You set the criteria. We have simply advised you as to how we think it should be. You go ahead and do it." Any other system is open to all kinds of lack of confidence, lack of good faith and everything else. It simply has to be done that way.

Mr. Elston: The last question is, how far along are we with the details of the hearing process? Is it being set up by the panel itself?

Dr. Chant: We made our submission, quite a bulky submission, on the rules of procedure we think should prevail during the hearings and on the criteria for the funding of interveners on June 29, 1984. The panel has received those suggestions and recommendations and they have also been widely distributed to interested parties. The panel has them under consideration, but to this point it has not scheduled any hearings to begin on the rules of procedure and on criteria for funding.

The timing is entirely up to the hearing panel. We are ready to have hearings on those preliminary issues any time. The submission of our proposal was a signal that we are ready. If the hearing panel wishes to convene hearings immediately on those two issues, then we will be very delighted and are prepared to be there.

Mr. Chairman: Dr. Chant, thank you very much for your appearance before us.

Mr. Havrot: May I ask one quick question? How many full-time employees are employed by the Ontario Waste Management Corp?

Dr. Chant: I have been pawing through my material here—

Mr. Havrot: We see nothing in our estimates here.

Dr. Chant: Here we are. As of March 31, 1984, there were 15 contract employees. They are on one-year, two-year and three-year contracts to maintain flexibility. There were 28

continuing employees of the corporation, for a total of 43.

That was at the beginning of this fiscal year.

Mr. Havrot: I have one more question. I would like to know why the occupancy cost is so high. It represents almost one third of the total salaries and benefits, \$445,000, just for office space.

Dr. Chant: We rent the 11th floor at 2 Bloor Street West. As I explained last night, we have a very favourable rate on that. It is covered by a lease that has been reviewed and approved by the government. We were able to negotiate a favourable rate. In fact, we were able to negotiate free of charge the internal structural changes of putting up partitions and creating the offices we wanted, as a benefit that accrued to us from the lease. I think it is an economical operation.

The fact remains that we have to have offices, places to house our staff, work rooms for our consultants to come in and do their work and that sort of thing.

Mr. Havrot: What I could not understand is that there is a 100 per cent increase in the occupancy cost over one year, which is rather dramatic. I do not suppose your staff has increased so dramatically over the previous year that you would require—

Dr. Chant: Yes, it has.

Mr. Havrot: Has it?

Dr. Chant: Of course. I have to say again that we are a corporation which is three years old and we had nothing exactly three years ago—no staff, no budget, no space, no offices or anything. Now we have those things. Clearly, we have gone through a phase of rapid recruitment to get on board the basic staff we need for all the things we have to do.

Mr. Havrot: The occupancy cost based on the number of employees is running about \$10,000 a year per employee.

Dr. Chant: Which page is the member looking at?

Mr. Havrot: You have 15 contract and 28 full-time employees and your occupancy cost is \$445,000.

Dr. Chant: We have a lot of space occupied by consultants as well, who do not show on our staff books. The corporation has working rooms and working spaces all over the place.

Mr. Havrot: Do the consultants not provide their own accommodation when they are doing work for the corporation?

Dr. Chant: Sometimes they do and sometimes they do not, depending on what is most convenient. It is silly for our staff to spend all its time running out to Buttonville or St. Catharines to meet with the consultants with whom they are working on a daily basis. It is far better that the consultants come to us because that is where the work is. That is what happens in many, although not all, instances.

Mr. Havrot: You mentioned earlier that a lot of what you were spending was for technical engineering and consulting services preparation for a big plant. However, I do not see anything under fixed assets to note that. You have \$351,000 in fixed assets, which is only furniture, equipment and leasehold improvements.

Dr. Chant: I thought all members knew we were some years away from having a treatment plant. That is when our fixed assets will show major capital increases. We do not have a plant now.

Mr. Havrot: Would not some of the costs that you are putting in now, which are basically going to be implemented in the plants you are planning on building, be included in fixed assets?

Dr. Chant: No, they are not included in fixed assets.

Mr. Havrot: They usually are in private business.

Dr. Chant: The tradition we have inherited from the government is that the Provincial Auditor and our accountants say a fixed asset is something you can pick up in your hand. It is a piece of machinery. It is not the plan that went into designing that machinery.

Mr. Havrot: In other words, the design and so forth would not be considered part of the fixed assets.

Dr. Chant: Not part of the fixed assets; it may be considered as part of the capital cost recovery, but it is certainly not a fixed asset.

Mr. Havrot: It is included in the cost of the fixed assets. To get to those fixed assets, you have to include that planning in the cost.

Dr. Chant: At this stage you include in your books the tangible fixed assets in a physical sense—a desk, a photocopier and a word processor. You do not include a plant that is some two or three years away from even being built. There is no fixed asset.

Mr. Havrot: In other words, you are saying that for the \$7.2 million, there is nothing tangible other than what you are performing in studies, research and so forth.

Dr. Chant: That is correct, as it would be in the private sector or anywhere else. When you pay engineers to do design and development you do not have a tangible fixed asset until they have actually built the thing they are designing. We have not done that yet.

Mr. Havrot: If you were designing a plant in the private sector I do not think the tax department would allow you to write off 100 per cent of the design and so forth of the plant. That would be included in the fixed assets once it was built.

11:10 a.m.

Mr. Haggerty: To follow up Mr. Havrot's question, concerning the consultants who are designing the plant facilities, the landscaping and everything else, what is the Canadian content? Is any of this being farmed out offshore?

Dr. Chant: The engineering consulting is 100 per cent Canadian. The firm is Monenco. The office it works out of is in St. Catharines. You may be familiar with it; it is an eight-storey building in downtown St. Catharines. That is Monenco's headquarters for our work. It is 100 per cent Canadian. It is 100 per cent Ontarian, if you want the truth of it.

Mr. Haggerty: I thought the design might follow the principles laid out in Germany and that you might be looking for consultants from that area.

Dr. Chant: With the rotary kiln that is the case. You can get no engineering expertise in rotary kilns in Canada because there are no rotary kilns in Canada, so you do have to go offshore to get that design expertise. But it is only design expertise. Once the design for the rotary kiln has been created using the German consultant—

Mr. Haggerty: It will be fabricated here.

Dr. Chant: —it will be fabricated 100 per cent in Canada using Canadian steel and Canadian labour. All they are providing are the paper engineering designs based on their expertise in West Germany.

Mr. Haggerty: So there are some offshore consultants, then.

Dr. Chant: Yes, in that sense, but only if we cannot find them onshore. In this case it is clear-cut that there are no rotary kilns in Canada; therefore, there is no expertise.

Bearing on the point I made last night, by the very fact of our consultants building a rotary kiln in Canada we create that expertise in Canada so that somebody else will have to hire us instead of the Germans next time around.

Mr. Chairman: I would like to thank you, Dr. Chant, for appearing before us. I think you have answered most of the questions—perhaps not to the total satisfaction of some members; however, that is understandable.

I think the time has come for us to deal with the budget, the financial end of the estimates.

Mr. Elston: Already?

On vote 2201, ministry administration program:

Mr. Chairman: Already. We still have an hour and 15 or 20 minutes to go in these estimates. We will start right at vote 2201, which is the administration program.

Because of the wide-ranging discussion through the opening remarks, if you can try to restrict your questions to the vote we are discussing at the particular time, it would certainly be helpful to all concerned.

Hon. Mr. Brandt: Mr. Chairman, there were some questions with respect to the administration part of the budget. I do not know whether you want to approve it on a line-by-line basis until we come to specific questions, but we are prepared to handle it in whatever way committee members feel most comfortable in dealing with this particular section.

We can deal generically or globally with the administration budget, if you like, or we can deal with it on a specific line-by-line basis. It is up to you.

Mr. Chairman: Perhaps it might be better to deal with the administration program on a global basis, if that is agreeable.

Hon. Mr. Brandt: All right. The major increase in this particular budget, which I think was the concern expressed during some of the opening comments, can be explained by Mr. Castel. I will have Mr. Castel, the chief of our financial division, give the members of the committee the explanation of this category. It was, I think, the percentage increase that had been raised by one of the committee members.

Interjection.

Hon. Mr. Brandt: If you are satisfied, I will carry on.

Mr. Elston: I think the discussion was with respect to the decrease in some of the major projects, if I recall correctly from last week's meetings. I think we went through this with Mr. Castel fairly fully. We actually got into that part before we adjourned last Thursday.

Mr. Chairman: That was on the projects, on some of the subsequent votes—environmental

planning and so forth. I do not think it was the general administrative program that we discussed.

Hon. Mr. Brandt: How would it be if we gave you a quick overview, which I think might be helpful? Then you can go to any of the items within the vote on which you feel you need some additional information.

Mr. Elston: Fine, thank you.

Mr. Castel: In the administration program of the Ministry of the Environment we have a total increase of \$1.4 million in 1984-85 over the previous year. The major portion of this increase is in our lottery funding, representing \$1 million. This is for environmental research and it is an increase of \$1 million out of a total of \$1.4 million.

We have an increase in our personnel services; \$50,000 has been allocated for a voluntary certification program for plant operators that is now being examined. We have \$129,000 as part of the consolidation of the Brampton training facility and staff within the training and certification program. In our information services item, we have an increase of \$85,000 for ethnic advertising.

The balance of the increase, which is approximately \$178,000, has been provided for salary awards and other minor adjustments. The bulk of the increase in the administration program is not for administrative overhead, but for activities that support our operational programs, such as training and certification, and such as research, which is co-ordinated in the policy and planning branch to serve the needs of the whole ministry.

This is environmental research. It is not for administrative overhead. This is the major portion of the increase in this program.

Mr. Chairman: Mr. Wildman, was your question on administration?

Mr. Wildman: I have a number of questions which have to do with the ministry administration program, main office, specifically its relationship with other levels of government and with other ministries of the government. May I proceed?

Mr. Chairman: Let us try it on. If it is not this vote, we will find out where it is.

Mr. Wildman: I am sure the minister is aware of an authoritative and respected journal in my riding, the Algoma News Review, which is published in Wawa.

Hon. Mr. Brandt: I read it frequently.

Mr. Wildman: I thought you would. I have before me an article which was published on the

front page of that periodical on Wednesday, September 5, 1984. A member of the ministry staff, a Mr. Peterson, was interviewed with regard to Algoma Ore division and acid rain.

Hon. Mr. Brandt: Is this a paid item?

Mr. Wildman: No, it is not paid.

Hon. Mr. Brandt: Oh, it is an interview in a regular news item. I am sorry, I thought it related to a money item at first.

Mr. Wildman: No. In it, this gentleman, a member of the ministry staff, indicates—

Hon. Mr. Brandt: It does not relate to anything we—

Mr. Wildman: I will read one of the quotes. "One of the projects Mr. Peterson espouses is a plant here"—Wawa—"which could combine phosphates mined in Cargill township, north of us, with sulphur, a product of SO₂ dioxide scrubbers, which could be installed at AOD's sinter plant, to produce fertilizer.

After reading that, I wrote the minister a letter dated September 10. This statement was made by a member of the ministry staff less than two weeks after the federal government, in conjunction with the Algoma Steel Corp., had announced it was providing a grant of a little less than \$100,000 to assist Algoma Ore division to import technology from the United States to have a flotation process which would lower the sulphur dioxide emissions from Algoma Ore's operations. They were going to operate a pilot project to see if this is a practicable way of dealing with the sulphur dioxide emissions. Perhaps the installation of scrubbers at a future date would no longer be necessary.

11:20 a.m.

Therefore, I was rather surprised when I saw this front page story in the Wawa paper quoting a member of the ministry staff. I wrote to the minister asking for a clarification and I have not yet received a response.

I know the minister, along with the cabinet, went to a meeting in Sault Ste. Marie and met with officials of Algoma Steel Corp. at that time. He made a statement, which was carried in the Sault Ste. Marie Star, indicating the ministry's position had not changed, that the ministry was prepared to co-operate with whatever attempts were made by Algoma Ore to lower the SO₂ emissions and at this time was not contemplating ordering scrubbers, and so on.

Specifically, I would like to know what involvement the Ministry of the Environment has had with the federal authorities and Algoma Ore on this pilot flotation process project and why a

member of the ministry staff made a statement that seems to call into question this ministry's position on the flotation project.

Hon. Mr. Brandt: Let me answer as many questions as I think are in your statement. First, the ministry position vis-à-vis that of Algoma has not changed. I made this clear when we met with them. Up to this time they have attempted to abate sulphur dioxide emissions to the extent possible.

We in the ministry and the Algoma officials recognize there is going to be a very substantial capital investment retrofit at that operation in order to bring the current level of emissions down to a more acceptable level. Algoma is one of many plants being looked at under the umbrella of the mandate of the working committee that is set up between the federal and provincial governments on the total abatement program for the eastern provincial area, which covers the seven provinces east of and including Manitoba.

We are looking specifically at Algoma, Inco, Falconbridge, Noranda in Quebec, Ontario Hydro, Hydro-Québec and the other smelter operations that are located throughout the province and in Manitoba, at Thompson. Mr. Giles may be able to comment with respect to the co-operation between ourselves and the federal government. I will call him forward to respond to that.

Before he does, in regard to the technical aspect you asked about vis-à-vis co-operation, the member of the staff who made this comment was not, in my view, articulating a ministry position. Certainly, we have not taken a position requiring Algoma to improve on its abatement program at this time.

We recognize the economic realities, if I can use that term, that Algoma is going through. Any precipitate action on our part may have a very negative effect, quite obviously, without a very comprehensive program that includes government help. I think we are putting that in place.

That does not mean I am happy with Algoma. I am not, and I indicated this to the officials. I have to say, however, Algoma's situation on emissions is entirely different to Inco's. The Algoma emissions are very much localized because of the type of emissions and the wind currents in that area. The environmental damage being done is also very localized. It is not contributing significantly to long-range transport of sulphur dioxide and, ultimately, acid rain.

We have to recognize that in the context of the specific-area problem Algoma has—and I made that clear to the officials when we met with

them—we are working to improve on the situation. If he would not mind, I would like Walter to address that working committee's involvement with plants like Algoma, Inco, etc.

Mr. Giles: As the minister has indicated, we have in place two levels of committees that are functioning, or really three. The ministers themselves meet on a regular basis to develop the overall eastern Canadian policy with respect to acid rain. Then we have a senior staff steering committee that tries to provide the answers the ministers need to the questions they are posed. Within that framework, we have subcommittees that work on individual concerns. Among these, of course, is the abatement program for the eastern Canadian industries.

Algoma is a situation where the solution will be difficult. The consideration that was given to the phosphate deposits is one of the options available. Other industries have looked at that prospect.

Mr. Wildman: Those phosphate cleaners have been used all over the place, but I do not think they can be used just anywhere yet. They have, however, been used to hold it.

Mr. Giles: They have been examined by other industries and found not to be economically attractive as a solution compared with other approaches. It is one of the ways that one might use the waste stream, but it has not yet been decided upon in that location, nor have we made a final decision on what if any level of reduction we might expect at Algoma. We are at the stage of developing the overall program.

Mr. Wildman: What involvement did your ministry have in the decision by Algoma to initiate this flotation process project with the assistance of the federal government?

Mr. Giles: I am not sure I can answer that. It was not an issue that came up within the context of the committees themselves. I think it has been an Algoma-federal relationship that was based primarily on modernization of the plant, rather than a solution to sulphur dioxide emissions per se.

Mr. Wildman: It also improves the sinters.

Mr. Giles: Yes.

Hon. Mr. Brandt: In any event, the consistent position—I say this for all the committee members—with respect to a retrofit of an existing plant, or modernization or abatement equipment, is such that we normally do not dictate the type of technology. We will assist a plant, we will advise the firm and we will consult with it and work with it on those things, but the technology we

recognize in most plant operations has to be one of a least cost option. Management looks at the most economical way of retrofitting a plant in order to bring about the maximum improvements it feels it can attain.

If your question is directed towards an acceptance or nonacceptance of the technology, normally we are fairly flexible and pragmatic on that. We would work with the firm, but we would not necessarily say no.

Mr. Wildman: Basically, my question was, are you going to be involved in analysing the environmental effects of this pilot project to determine whether it has significantly lessened the sulphur dioxide emissions?

Mr. Giles: In the sense that process changes such as these would ultimately require our approval if they require modifications to plants, yes. I think the answer is yes.

Mr. Wildman: Just one other thing. In relation to this interview, the gentleman interviewed stated, and I will quote what it said in the Algoma News Review: "He told us that he is quite sure Wawa will never receive the full benefit of a PC-dominated Ontario government as long as its representative is NDP...Mr. Wildman will always experience difficulty in obtaining funding for area projects."

Mr. Riddell: Who made that statement?

Mr. Wildman: Mr. Bruce Peterson, of the ministry staff in Sault Ste. Marie.

Hon. Mr. Brandt: I fall back on what I said one more time, Mr. Wildman. The gentleman in question was not speaking on behalf of the ministry, nor was he articulating ministry policy. It is interesting you should mention the problem of funding because very recently you brought to my attention, by way of letter, a difficulty in your municipality where we had provided funding for a sewage project, for some sewer lines and so forth.

You were urging, and your municipality was urging, a change of priorities, which had absolutely nothing to do with the timing of our estimates. I can only tell you, and I was going to mention this to you if you did not raise it by way of question, we made that switch on your behalf and allowed the priority you and your municipality had established to take place. A letter to that effect went out yesterday.

Mr. Wildman: Good.

Hon. Mr. Brandt: I can only tell you we look at projects throughout Ontario on a priority basis. We have a management-by-review process that

does not politicize the process; it looks at it in terms of the need.

A living example of the very thing about which I am talking—it is one example and I suppose you could show me others where perhaps I could not speak with such force and conviction—is that the gentleman whose riding received the largest percentage of money when I announced the water tower policy was sitting right here and happens to be my Environment critic. The last time I looked he was not a member of the particular party with which I am associated.

11:30 a.m.

Mr. Wildman: I am very glad to hear that and I wanted the minister to have the opportunity to clarify this. I do appreciate what the ministry's position has been in Blind River and I am happy to hear that he sees it as his mandate to govern the needs of the whole province to the best of his ability and the ability of his ministry. I know that he is completely nonpartisan in his approach.

Hon. Mr. Brandt: I would not go that far. Fair, equitable, sensitive, pragmatic, flexible—we are all those things and we try to look at a project in terms of need. I can only tell you we respond to the extent we possibly can. There are people sitting at this committee who could verify those comments.

Mr. Wildman: I have two other questions with regard to the ministry's relationship with other ministries in relation to environmental projects.

The minister may know I raised this issue with his colleague the Minister of Northern Affairs (Mr. Bernier) in his estimates in the House on Monday. He made the statement in committee that the Ministry of Northern Affairs in northern Ontario often helps to "top up"—that was the term he used—other ministries' grant programs when additional funding is necessary for a project to proceed.

Hon. Mr. Brandt: That is right.

Mr. Wildman: I know that to be the case. I expressed some concern that this might be misinterpreted by other ministers of the crown so that it turns out to be, rather than a topping up by the Ministry of Northern Affairs, a bottoming out by the other ministries.

The reason I say that is for instance, in a very small municipality I believe the maximum grant the Ministry of the Environment would give for water and sewage projects oftentimes would be 75 per cent. As I mentioned in the estimates last week, in some cases small municipalities, because of whatever restrictions they have on

expenditures, sometimes from the Ontario Municipal Board on borrowing and so on, cannot then meet their share, the 25 per cent, so the Ministry of Northern Affairs comes in and says, "We will give a special grant to assist the municipality so this can go ahead."

Specifically, in the improvement district of Dubreuilville, the Ministry of the Environment has approved two projects for that community, a water project and a sewer project, to proceed next year. Initially, the municipality expected—we are talking about a very small municipality of about 1,200 people—that there would be about a 75 per cent grant from the Ministry of the Environment.

The Ministry of Northern Affairs then came in, initially with a \$20,000-grant to help with the consultant fees, I understand, and then subsequently with \$380,000 to lower the municipal share. When the approval came through, we found that the share of the Ministry of the Environment was not 75 per cent, but 62 per cent.

The Minister of Northern Affairs agreed with me in the discussion of his estimates that the Ministry of Northern Affairs was rather disappointed about the position of the Ministry of the Environment, and he indicated there was some discussion going on that he hoped would clarify and resolve this controversy between the two ministries.

Specifically regarding Dubreuilville but also generally, does the ministry, when determining its percentage grant, keep in the back of its mind, "The Ministry of Northern Affairs may be coming through with some dough"?

Hon. Mr. Brandt: The staff can answer that if they like but I can tell you, without any equivocation whatever, that is not the case. It is based on a formula that I would be more than happy to sit down and review with any member who has a project. In fact, I have done this before because quite frequently a member will come forward. When there is a grant program that runs from a bottom position of 15 per cent to a maximum of 75 per cent, I indicated in the House, and I believe it was in the throne speech, that we are reviewing that to see if we can increase it, particularly for small municipalities in the future. There is an active policy review going on at present. When the parameters are 15 to 75 per cent, I can assure you, everybody who gets a dime less than 75 per cent feels hard done by.

The formula was based on larger municipalities with a more secure and substantial assessment base. Those that had a more adequate

industrial and commercial assessment factor vis-à-vis the residential factor would get less money. As one went up the grant structure towards 75 per cent, it would reflect smaller communities, bedroom communities, those with a very limited and narrow borrowing base that would have difficulty going to the Ontario Municipal Board for additional dollars and those kinds of things.

We do not, at any time, take for granted, presuppose or anticipate in any way that there is going to be a topping-off grant from any ministry, whether it be Northern Affairs or any other ministry.

There have been circumstances on occasion, for example phosphate removal in some of the communities that required an upgrading of their sewage treatment plant, where the formula was enriched because we had some funding that we discussed in some detail in this committee before you arrived, a week or so ago, where \$65 million was made available by the federal government. Some of that money finds its way through to municipalities to assist them with things like phosphate removal.

I want to give you the assurance that when we go through the formula analysis and the final determination of that formula, which in this particular instance amounted to 62 per cent, it is done without any dialogue or without any consideration of what Northern Affairs may or may not do. We do anticipate in a community that is small, which has a limited assessment base, as I described in northern Ontario, that Northern Affairs is going to help, because one of the specific mandates of that ministry is to come along and top off. That is what you were referring to.

We can review the 62 per cent you are talking about and we will give you the specific formula upon which that was based. It is a sliding scale, going from 15 to 75, and I have to tell you one more time that everybody expects 75.

Mr. Wildman: Are there discussions going on now with the municipality and Northern Affairs about the percentage?

Hon. Mr. Brandt: Mr. McIntyre, do you want to comment specifically on this project, if you are familiar with it?

Mr. McIntyre: I am very glad the minister said we never consider anybody else's grants in calculating our grant. I administer that program and we never do.

The difference in Dubreuilville between the water grant and the sewage grant is based on the fact that the formula we administer is based on

the number of potential connections to the system times the number of dollars, which is considered to be the municipal share.

Mr. Wildman: It is \$600,000, is it not?

Mr. McIntyre: No, it is the number of dollars per connection.

Mr. Wildman: I see.

Mr. McIntyre: In the water system, because the area is on wells, you do not have to design your works for quite as great a future period, because you can add another well at a fairly cheap cost and you do not get cost benefit by building it now. That is the way of looking at it. You are using and applying the formula, taking from the gross figure the municipal share and then arriving at our share. People think we go the other way, but in fact we go that way; we calculate the municipal share, deduct it from the gross cost, and the remainder, up to 75 per cent, becomes our share. In the case of Dubreuilville water, that came out at 75 per cent.

In the case of the sewage, you are planning for a greater horizon and you get benefit by planning in that way, because it is not as cheap to add an increment to a sewage system as it is to build another well. You therefore plan for greater potential. That is the way of looking at it. You end up with a potential for more customers because the formula is based on potential and not actual, and you arrive at the municipal share as being greater on the sewage works than you do on the waterworks. So our contribution is less, and that is how it is arrived at.

Mr. Wildman: Are you now discussing it further with them?

Mr. McIntyre: Yes.

Mr. Wildman: When do you anticipate that will be finished?

Mr. McIntyre: For all practical purposes, it does not have to be finished until next spring.

Mr. Wildman: I know that.

11:40 a.m.

Mr. McIntyre: They have written to the minister, and he is considering his reply to them at the present time.

Mr. Wildman: All right. I will leave it at that.

In relation to that particular kind of issue, in another small municipality in a very similar situation to the project proposed for Desbarats, the township of Johnson, which has just come through asking for project management by the ministry, the Ministry of Northern Affairs will probably be involved; at least, I hope it will be. I

appreciate your response and hope it will come through with a decent percentage.

The other thing I am interested in is your relationship with the Ministry of Municipal Affairs and Housing. I will not prolong this, because I know we do not have much time. I will just say to the minister that there has been a long ongoing controversy concerning the Ministry of the Environment's involvement in the approval of a subdivision agreement in the unorganized area north of Sault Ste. Marie called Aweres township, Peace Tree subdivision—sometimes called Aweres Estates—where the Ministry of the Environment approved a communal system.

The problem with improving a communal system in an unorganized area, of course, is that there is no municipality to maintain and operate the system. The ministry apparently approved this system. It was transferred to a private corporation of the residents in poor working order, to the point where the Algoma health unit has indicated that some things need to be done that were not done by the developer.

The Ministry of Municipal Affairs and Housing has been attempting to resolve this and has had discussions with the Ministry of the Environment about how the system can be brought up to scratch and the residents reimbursed for their out-of-pocket expenses for the repairs they did themselves before assuming responsibility for it. I wonder when we might expect that to be resolved and how it will be resolved.

Mr. Caplice: Mr. Chairman, I am familiar with this, as the member for Algoma knows. He has corresponded both with me and with Milt Farrow on the matter of this Peace Tree subdivision. As you know, we asked the residents in that subdivision to provide an itemized account, as best they could, of costs incurred to date, and of projected costs to bring that system up to standard, in order that they could assume the system. We are currently looking at that itemized list and at ways and means within our own ministry of perhaps getting the water and sewage facilities that are serving that subdivision into a shape in which the residents can assume them in a utility corporation sense.

The full story on that whole subdivision is quite something, as the member knows. The approval of subdivisions in unorganized townships or unorganized territories can be a problem. I think the approval did come from the Ministry of Municipal Affairs and Housing, not from us, and the undertakings that accompanied that approval or that plan of subdivision carry with

that approval and really rest with the Ministry of Municipal Affairs and Housing. There are also roads, as the member knows, that have to be looked at.

Mr. Wildman: I know. I did not bring that up because I know you are not in the business of building roads. I have been told that emphatically, as a matter of fact.

Mr. Caplice: I think it is fair to say that it is an example for the members here and for all of us to recognize that subdividers and developers can go broke and that as the buyer of a home you had better look behind the shell of who is developing those kinds of homes, particularly in unorganized territories. In municipal structures in southern Ontario or in the ones that are in place in northern Ontario, this normally would not happen; somebody would be there to assume responsibility.

We now have a group of people sitting in rather splendid isolation with no real municipal group to assume the management of the water and the sewage, and we are going to have to reach and scratch a little bit inside to see what we can do for them. But I am committed to looking at it with you, and we will continue that this week and, I hope, have a solution to it.

Mr. Wildman: Thank you very much. I would say with respect to the comments made by Mr. Caplice just now, while I would agree they do apply to residents who might buy in an unorganized area, I think they apply just as well to officials both of the Ministry of Municipal Affairs and Housing and of the Ministry of the Environment when it comes to giving approvals in unorganized areas.

Mr. Caplice: Yes. I think approvals are sometimes given with optimism regarding such things as no bankruptcies and continued growth. Sometimes we run afoul of people who mismanage finances and that happens. We understand the position of the people.

Mr. Wildman: I would appreciate if you can work it out.

Mr. G. I. Miller: I have a question with regard to grants in connection with sewage and water facilities. Is there a policy you go by across Ontario, such as the 75 per cent that was talked about, and the region of Haldimand-Norfolk was 15 per cent? It is actually a small municipality. What is the policy on that?

Hon. Mr. Brandt: There is a formula that applies to each applicant or proponent of a particular development in a municipality.

Mr. G. I. Miller: Is it simple?

Hon. Mr. Brandt: It is not simple.

Mr. Wildman: It is as complicated as possible so politicians will not understand it.

Hon. Mr. Brandt: No, it is not that complicated.

Mr. G. I. Miller: When the Ministry of the Environment operates the sewage facilities, is it responsible for bringing them up to a standard?

Hon. Mr. Brandt: If we own them, yes, and then we charge for the service. The same is true for water. We have a plant that we own and we sell the service, whatever that service might be. In the case of a municipality, it owns it itself and we provide grants; sometimes we even provide financing to assist it to either build a new plant or bring a plant up to a particular standard.

I do not know whether you want all the details now, but we can give you the formula in the short term and then if you want more detail we can provide it for you.

Mr. G. I. Miller: I do not want to take a lot of time, but I would like to have that information. I believe the minister visited the region of Haldimand-Norfolk and there were five areas that needed improvement. There is concern as to how soon that is going to take place because it protects Lake Erie and the fishing industry. What is it going to cost the municipality?

Hon. Mr. Brandt: We have already provided additional money for the startup study of some of the projects in your area.

Mr. G. I. Miller: It was \$75,000, was it not?

Hon. Mr. Brandt: I made the commitment when I toured the area. I forget the exact amount, but you are probably correct. That startup money was effectively to help them prepare the submissions they have to make to my ministry. Once having received that, I have to take a number of things into account.

The formula that Mr. McIntyre is about to discuss with you is not going to be particularly helpful, because the philosophy of this government relative to keeping the promise also goes back to earlier ministers who made some statements that were rather interesting as they relate to your section of the province. I have to superimpose the continued validity of those statements on the grant policy.

There were things said by John White, Darcy McKeough and others at the time that Haldimand-Norfolk was being developed as a new urban development growth area of our province. They suggested that if the growth did not materialize, some special government considera-

tion would be given. I would like to look at that in the context of the commitments that have been made and of the policy.

Obviously, the policy Mr. McIntyre is going to talk about in this instance is bottom-line stuff. Whatever you are going to get will probably be more than that.

Mr. McIntyre: All projects start off on the basis of an evaluation of the need to reduce pollution or to satisfy the water supply needs of the existing area. As the minister mentioned, they operate on a management-by-results process that gives them a ranking for funding and gives them an evaluation.

Beyond that stage, you fall into two categories in the funding basis: municipalities in excess of 7,500 people and municipalities below 7,500. The ones above 7,500 people are eligible, if they meet the MBR criteria of need, for a 15 per cent grant. Those below 7,500 are eligible for a grant between 15 per cent and 75 per cent, that being based on the number of services that can be served by the facility multiplied by either 1,400 or 1,200, depending on whether it is water or sewage works.

That comes off the gross cost. That is viewed as being the municipal share. The remainder becomes our grant. At the end, in simplified form it will be a variable percentage calculated at between 15 and 75 per cent.

11:50 a.m.

Mr. G. I. Miller: Is there any connection between the final charges that are charged so you get an equal payment? I will use the region of Haldimand-Norfolk as an example. Courtland pays \$16 a month for water and sewage and Cayuga pays \$41 a month. That is a wide spread for the same type of service and it seems a lot for a small community. With economics as difficult as they are, it puts a tremendous burden on the home owners in Cayuga who pay two and a half times as much.

Mr. McIntyre: If I may deal with the capital costs of works, the formula I have described is intended to be just that. In other words, it is intended to arrive at the base share the municipalities will share equally across the province. The remainder—and it is a floating remainder, because some areas will cost more than others—the floating share becomes the one that brings the capital into equalization.

The regional municipality of Haldimand-Norfolk does not have equalized water and sewage rates.

Mr. G. I. Miller: I know it does not.

Mr. McIntyre: That is its choice; it is not our choice.

Mr. G. I. Miller: I recognize that, but it is still a wide variation. I thought that at one time a factor came into play if you went over a certain amount on a per year basis. That was in effect at one time.

Hon. Mr. Brandt: The option is always open for a municipality to appeal its rate if it feels the rate is not justified or is too high. It is ultimately reviewed by cabinet and a decision is made on whether the rate is fair and equitable or unfair. That is the only option open to a municipality.

Mr. G. I. Miller: The final thing is that a lot of water lines have gone to Hagersville, through the central system. I think everybody should have the right of access to good water. If that line goes by a rural area, should there not be some provision to encourage people to hook on to that line and utilize it? It seems to me if that line goes by there and you have to use a cistern to get your water or—

Mr. Haggerty: Or transport it by truck.

Mr. G. I. Miller: As far as trucking is concerned, Haldimand-Norfolk probably sets a record, if you figure them all up from Dunnville and Port Dover to the city of Nanticoke. Is there no incentive from the ministry to make sure that if a water line goes by they can hook on to it?

Hon. Mr. Brandt: There is a problem with some agricultural areas. There are farmers in this province, believe it or not, who would like treated water for irrigation purposes or for their cattle or for uses other than normal household uses. In many of the cases you are talking about, the size of the line and the pressure that would be available is far below what would be needed for that kind of use.

However, if you have a contaminated well or a problem with respect to water quality, and if you have a line going by the door, we do not have a policy that says you cannot hook up or that we will not arrange something. In some instances, it is the municipality's decision. It makes the decision, rather than us, because it determines what the water area is. Quite obviously, the water area is a determining factor in the planning of the whole municipality. Once you extend a water line you encourage further urban growth and the municipality may not want to do that.

If you are asking, however, about a specific case, we have to look at it on a case-by-case basis. I do not know how we would do it any differently.

Mr. G. I. Miller: That is what I am saying. There is no encouragement to hook on to those lines. Yet everybody else is being subsidized by the main line. The line is there; it is going to the people. It has to be the minister who gives a little incentive to make sure that as many people utilize first-class water as possible. That is what I am saying, I think everybody should have that right.

The figure now is about 90 per cent, I believe. What percentage is it?

Hon. Mr. Brandt: It is 94 or 95 per cent.

Mr. G. I. Miller: That is what I am asking for.

Hon. Mr. Brandt: You are not wrong. We are looking at a policy. I am giving you something that is being reviewed actively by the ministry at the moment. It is not policy at this time, but we are taking a look at such things as inexpensive plastic lines to serve scattered rural areas where there is a semblance of urban development but where you have to look at another method of extending services out to those areas. We are taking a look at that as part of a policy consideration.

Mr. McIntyre, could you respond to the question on a specific householder basis? I guess your question, Mr. Miller, relates to—

Mr. G. I. Miller: I do not want to take a lot of time and you do not have to explain. I know you cannot get hooked on now. I think it has to be a policy of the ministry. You said you are going to look into it, and I would hope you would carry that forward so that in the future we might be able to get on those lines, if it is feasible and practical, in order that we can have good water.

Mr. Haggerty: We are dealing with water resources activity, and I have been waiting for the opportunity to raise a matter of concern to me. Dennis Caplice is here, and I am sure he is familiar with the town of Fort Erie in the former township of Bertie.

In 1965, I believe, there was an engineering report produced by Proctor and Redfern on the proposed sewage treatment scheme for the whole township. Just recently, Stevensville was finally hooked up. After 20 years, there are still two areas that do not have sewage treatment service.

Mr. Caplice: Communal service.

Mr. Haggerty: That is right. They are Bay Beach and Thunder Bay, which lies east of Ridgeway.

There has been a hearing down there with ratepayers that has been brought to my attention. They are going to run into the same problems as they had in Crescent Park and Ridgeway. It is the matter of the extraneous flow of water that is, for

some unknown reason, coming into its brand-new system. Whether or not it was improperly installed, I do not know.

In this particular area, the proposal is to install undersized mains to carry sewage instead of going to a size for future development. I am talking about a trunk main along Thunder Bay Road. This is the area along the lakeshore where there is a large subdivision. Once the sewers are installed, there are going to be further homes built in that area because there are already lots there waiting for these services.

They have made mistakes prior to that, such as those evident in Crescent Park. I do not have to tell the minister about the problems there with beaches being closed down this year in the Fort Erie area, particularly Waverly Beach. A study was done back then when I was the deputy reeve of the municipality. We used to have the normal flow from septic tanks going down the open ditches and out to a drain at Waverly Beach. They installed a forcemain along Dominion Road. I understand that at that particular pumping station they are still bypassing out into the Waverly Beach area. That is why there are problems today, I am sure. The beach is being contaminated and has been closed off now.

The same thing is going to happen in the Ridgeway and Thunder Bay areas by not putting in the oversized lines so the waste can be transported in a safe manner instead of having the lines not able to carry it and bypassing it.

The present treatment plant at Crystal Beach was built some 20 years ago. It was only built for Crystal Beach, not for Ridgeway and not for the expansion of that area. It has been bypassed there too. That may be one of the reasons the beaches in and around the Fort Erie area are being contaminated.

That plant was only built for the size of the Crystal Beach community at that time, which was a separate corporation. We have added Ridgeway, and possibly Bay Beach and Thunder Bay will be coming in. I suggest that we are going to run into difficulties if there is not some sound engineering with funding from the provincial government.

A project that should have been completed in 1970 is 20 years old and still not completed. The cost today for the Stevensville sewer project alone was more than what it was going to cost the whole township back in 1970. I imagine it is up around \$4 million.

12 noon

The ratepayers in the area are not happy with it. They do not want the same problem that

happened in other areas as a result of undersizing the sewer lines. Sufficient funding should be made available to oversize and take in the growth that is going to come.

It is an industrial community, but it is also a tourist resort area. Anything along that lakefront could boom over the years, and undersized mains to the treatment plant are going to cause some difficulties. It is no use going back 10 years from now and putting in another line; I believe the minister said that. If you are going to do the job, do it right from the start and make it oversize so it can take in the growth of that area.

I suggest that since we came under regional government that area has been one of the last areas in the whole region that has really come under the proposed schemes that were fostered by the Ontario Water Resources Commission, I guess it would have been back some 20 years ago, saying it must be done within a certain time limit. Bertie township was geared to that.

Mr. Chairman: I think Mr. McIntyre has a response.

Mr. McIntyre: There are no more provincial projects, as you know. There have been no new provincial projects since 1978. All the work that is being done in Fort Erie is being done on a grant basis. It is getting the same level of grants as other similar municipalities and regional governments are getting.

What the region chooses to build is really up to it. It hires the consulting engineers and does the design for the works.

Mr. Haggerty: But surely the Ministry of the Environment should have some say in this matter where there is a question of undersizing. If you are providing grants there now, are you going to come back in 10 years and provide another grant to build a bigger line?

I suggest that this is not the approach to take. There is a cost factor here that has to be borne by the province, and I suggest that you do have some say in what should be done there. The undersizing in the past has caused difficulties.

Mr. McIntyre: We will certainly have a look at the engineering to make sure it is adequate in our view. But we must also express the view that other people have been too optimistic about growth, and we have works in the ground that we are already being penalized for and on which money is being written off because people were optimistic about growth.

Mr. Haggerty: I am sure that, if we look at the Niagara region without being too political about it, one can see the growth pattern that has taken

place in the design of equipment around Grimsby, west Lincoln and that area below the escarpment in choice agricultural land. I do not have to tell you how the government of the day has had its knuckles rapped by the Preservation of Agricultural Land Society in St. Catharines, which made the regions pull back on their development, particularly on agricultural land.

The recommendation came out of that, I think, even at the Ontario Municipal Board hearings—and I am quoting from memory—that future development should take place above the escarpment. I can tell you that if you look at the land value and purchase price of a home in Fort Erie compared with that of the same home in St. Catharines, it is \$15,000 to \$20,000 less.

In fact, people are even moving from Toronto and going down to that area instead of going north. They say, "Well, this is where we are going to retire." I believe one of the former superintendents of this building is now living in Crystal Beach and enjoying it. He sold his expensive home here in Toronto and retired down there with that additional capital.

Hon. Mr. Brandt: Does he vote for you?

Mr. Haggerty: I do not think he would, no.

Hon. Mr. Brandt: I can check that out or send him back to Toronto.

Mr. Chairman: Thank you very much. We are nowhere near the administration program right now, so we might as well keep wandering because we have only half an hour to go. Mr. McGuigan had a question and Mr. Stokes had a question.

Mr. McGuigan: I wanted to begin by thanking the minister and the ministry on behalf of Harwich, Raleigh, Erie Beach and Erieau for the reduction in their debt on that water system. Unfortunately—

Hon. Mr. Brandt: It is not enough.

Mr. McGuigan: —it is not enough.

Mr. Chairman: That is the good news. Now the bad news.

Mr. McGuigan: The problem started out in 1979 with the water rate, in round figures, at \$1 a thousand cubic feet. Now you propose \$5.68, which you very generously have brought back to \$5.20. But in talking to some other members on this—and I think we have touched on it here with other people—when you talk about an old system, they are paying around \$1. When I tell them we are paying \$5 and so on, they think I am out of my head. I do not think it is really that I am out of my head; a lot of events have happened. One of those events as I recall was that there was a planner

from Greece who was around Ontario a number of years ago.

Hon. Mr. Brandt: I know him well.

Mr. McGuigan: What is his name?

Hon. Mr. Brandt: Something like Doxiadis or whatever. He was the great urban planner who projected a megalopolis that was going to develop in certain areas of Ontario. I know—at least I think I know—where you are heading with your comments, because it affected my community as well.

There was supposed to be an urban strip that would go from Detroit north to Port Huron. Completely disregarding international boundary lines, it would spill over to Sarnia, then go down the river. We were going to have a population of about a half million people; right now we are about 400,000 short.

Mr. Haggerty: That was another White dream.

Hon. Mr. Brandt: Thank goodness it was not a Ministry of the Environment official who made those projections.

Mr. McGuigan: I think perhaps it must have been.

Hon. Mr. Brandt: No, sir, it was not.

Mr. McGuigan: My contention is the ministry officials were influenced. In fairness, I think we were all influenced by those happenings.

As I have said to you before, we make those mistakes in private business and I have made them myself. You pay for them and you usually do so by going broke. Someone else picks up the real estate or machinery or whatever it is at a fraction of its value and then goes on to operate it because that person does not have the capital costs to pick up. Of course, governments do not go broke; they just plead there is no money in the treasury. We are seeing Mr. Wilson doing that in today's headlines.

The result of bringing the rates up to \$5.20 in my view is going to be reduced income. As you well know, in other areas people have found ways of conserving and so on. Perhaps it is too early to say whether we are seeing any results of this, but I would certainly predict we will.

Along those lines, the town of Blenheim which is involved in this has suggested that it buy from you the plant that supplies water mainly to Blenheim, although it is hooked in now with the other municipalities. It is a grid system today, as I understand it; it also supplies the western Ontario regional centre.

Blenheim has offered to buy the plant. My information is that your people have come back

and said it is only worth a dollar. Do you know anything about that? I think Blenheim is willing to pay a dollar for it.

Hon. Mr. Brandt: It sounds like a very interesting bargain at that price. Mr. Higham, do you know anything about an offer from us in that regard?

Mr. Higham: I would be highly doubtful, Minister, that we would offer to sell it for a dollar.

Mr. McGuigan: No, the offer has not been to sell it, but that value has been placed on it. It was said the place was only worth a dollar. I just wanted to submit the offer to buy it for a dollar, on behalf of Blenheim. Can you tell us anything more about that?

Mr. Higham: No. I would have to look at the details of where that hand-over process stands at this point. We have had a policy for the last few years of encouraging municipalities to take over responsibility for their own facilities. As you are identifying, there are problems in some areas where the project may currently have a deficit on the books, for example.

Often we find municipalities saying, for instance, "If you write off the deficit, then we will take over the plant at its current value." I am not familiar with the value for the Blenheim plant, but I would doubt it is a dollar.

Mr. McGuigan: I am not an expert on government finance.

Hon. Mr. Brandt: I know that to be true.

Mr. McGuigan: Thanks.

Mr. Wildman: I do not think you are answering his question at all. He said he was not an expert and you said you knew that.

Hon. Mr. Brandt: No, no; I am sorry, it fit so well.

12:10 p.m.

Mr. McGuigan: However, the answer was with respect to another question totally unrelated. I wanted to save you the trouble of saying that.

Do not governments write off a bridge or a water plant or a project in the year it is built? You do not carry it on your books for 20 years, as a private business would carry it and amortize it over the 20 years. Do you not write it off the year you build it?

Hon. Mr. Brandt: Not in the way you are suggesting. The government does not separate out the capital in the same way a business would, but we still have investment in a plant that we recognize at a specific value. It has always been

that way, whether it is, let us say residual property after a road is constructed. The position of the Ministry of Transportation and Communications, for example, is that it get market value for that piece of property.

Mr. McGuigan: The market value.

Hon. Mr. Brandt: The same is true in a case where we have a plant that has been written down and it has a debt associated with it; that plant has a particular value to us. We establish that value and, if the municipality wants to take it over, I can tell you that in about 101 per cent of the cases the municipality comes in with a position—I spent 10 years in municipal government and I understand how it does this, why it does it and what the hidden agenda is.

They will usually say something like, "Minister, if you will only cancel all the debt, we can operate this plant cheaper than you can." I usually say to them, because I think it is fair, "If you will cancel my mortgage, the total cost for me to carry my house will be cheaper than it is at present too." That is the reality. A certain amount of money is still charged against that project.

Mr. Higham: Is that essentially correct?

Mr. Higham: That is correct.

Hon. Mr. Brandt: We are trying to recover that in the value. We will sometimes play it down or give a discount, or we will work out a deal; I am not saying we do not negotiate on occasion, which we did in your presence. When you came up to my office we gave you an immediate commitment, as you will recall.

Mr. McGuigan: I thanked you for that.

Hon. Mr. Brandt: You did. I have not got the roses yet, but I expect a bouquet somewhere along the line.

Mr. Stokes: Get some strawberries.

Hon. Mr. Brandt: I would accept strawberries, if that were an option.

Mr. McGuigan: I will put you on my list.

Hon. Mr. Brandt: Mr. Higham, you may want to comment on that.

Mr. Higham: With reference to the comparison you made with the private sector, I think if you look at the government's balance sheet you will see that the only fixed assets that are shown for the government are the value on the books of the sewage and water treatment plants around Ontario, which currently stand in the order of \$1.2 billion.

Mr. McGuigan: They are carried at book value.

Mr. Higham: That is right, and they are written off over a 30-year period.

Mr. McGuigan: You said that is the only one that is done that way.

Mr. Higham: That is right.

Mr. McGuigan: You do not see it for highways.

Mr. Higham: That is right. For example, 20 years ago all the government's investment in capital facilities was shown in the balance sheet and it readily became apparent that it is hard to sell a highway, for instance, or it is a bit misleading to show that as a fixed asset in the balance sheet.

That information is still maintained in the government's books, but it does not show as a fixed asset in the balance sheet in the same way that our sewage and water treatment plants do. The distinction is that our plants derive revenue, whereas you do not make revenue out of a highway unless, for example, you have a toll booth some place.

Mr. McGuigan: This building is not—

Mr. Higham: It is not shown as an asset on the balance sheet. All the other assets are notionally shown as \$1.

Mr. McGuigan: That knocks my idea on the head. I thought perhaps you could sell it, not for a dollar, but for some figure without affecting your financial statement for the year.

In essence, the plea many other members are making is that inflation and then the recession came along. There do not seem to be the dollars out there to pay the very high rates. The householder can apply conservation measures, and I suppose some industries can too, but I think they are probably less able to apply conservation measures than is the householder.

For instance, it would cost a plant in Blenheim some \$17,000 more, being the difference between \$5.20 and \$5.68. They use a lot of water for cooling and flushing or whatever.

I can only once more make the plea and ask you, have you any thoughts or ideas as to how you might be able to relieve this large problem?

I am not blaming anybody, other than that Greek chap.

Mr. Chairman: And he is not here.

Hon. Mr. Brandt: Let us get him. He is not here to defend himself.

I know we have gone through this, but before we leave this problem, I know the rates in your municipality are high. We did give you some assistance in a capital injection we promised.

I ask this question of Mr. Higham and I am not asking for an immediate answer. Could we look at some creative financing in perhaps stretching out the other end of the project to reduce the front-end load now? Is there some way we can add a couple of years on to it, or whatever?

I recognize that is delaying the inevitable, but the immediate impact of these high rates is a problem. I have looked at a lot of rates and this is one that causes me some discomfort. The main reason I am assisting the member in making his appeal is because he said he is not blaming anyone. When we are working together co-operatively, I like the co-operation to flow both ways.

In that he has acknowledged that it is not some move the government has made that is either stupid or should not have been carried out, I would like at least to look at that for you to see if we can do that in some fashion. If we can stretch it, maybe we can reduce the cost in the present year or two years in the future.

Mr. Higham: One of the things we have been looking at, particularly in the last two years, is what we call refinancing. Refinancing does not write off any of the debt that is outstanding on the project. Neither does it reduce the size of the deficit that may exist on a particular project. It does refinance the cost over a longer period of time and picks up the kind of thing the minister is talking about now. We would expect that would then put a hold on the creeping deficit we have in some projects.

I might just comment on the deficit. In many cases those deficits were, indeed, projected. We were talking earlier about the question of oversizing facilities to account for future growth in the community. At that time we were using what we call euphemistically "deficit financing," where the charges in the early years were deliberately underset, so that, as the population increases and development occurs in later years, the revenue base will increase and the surpluses in later years will then balance off against the deficits in the early years.

The problem we have had with that, of course, is the change in development we have seen over the last 20 years. In many cases the original projections were optimistic. They were made at a time of economic optimism. We have not seen that occur in all cases. Indeed, there are some communities carrying plant and facilities at a deficit higher than anyone could possibly have foreseen at the time.

In such cases it is appropriate to look at refinancing the project over a longer period that

provides a better opportunity for that growth to occur.

Mr. McGuigan: I appreciate what you are saying. The worst thing that came in that scenario was the interest rate. I have to agree it was probably a wise thing to oversize it rather than undersize it and then in a few years have to rebuild it.

Looking back, the thing that really upset that has been the interest rates. When you stretch a mortgage out, when you get into 20 and 30 years and you add another 10 years on it, about all you are paying is interest. It does not help you all that much.

Mr. Higham: That is right.

Mr. McGuigan: That is the problem. I would urge you, in addition to stretching it out, to try to subsidize the interest or the main amount somehow. I think in the end you will find you are going to have to suffer the loss one way or the other. Consumption will drop and rates will have to go up again, which is a self-defeating process.

12:20 p.m.

Mr. Higham: If I might make a comment on that, in many ways the rate per thousand gallons, for instance, is not as meaningful as looking at the impact on the individual home owner or occupant. For example, \$5 per 1,000 gallons may mathematically result in a home owner cost of \$150 a year. Someone elsewhere in the province may be paying \$2 per 1,000 gallons and yet that could translate to \$250 a year. The home owner cost is perhaps a more direct way of measuring the impact of the cost of the service than the rate itself, which is merely a mathematical calculation.

Mr. McGuigan: I would like to give you a list—and these are people who live just across the road from me, I know them personally. Here is one for eight months, \$161; others are \$96, \$216, and \$126. A lot of them come in the range of around \$96, and this is only for eight months. Others are for \$281, \$186 and \$236—I am picking out some of the larger ones. There is one here for \$560, but I think that is probably the apartment building. There are others for \$101, \$214, \$104, \$331—

Mr. Chairman: Mr. McGuigan, I wonder if we can move on. The minister has suggested he will take a look at your particular problem. I would like to get Mr. Stokes on, then we have to finish off our voting.

Mr. McGuigan: Yes.

Mr. Stokes: The first thing I want to do is thank the minister for that beautiful \$5.5-million

water treatment plant that his parliamentary assistant and I opened a week ago Thursday. The local people are just ecstatic. It is a beautiful building. It seems to be operating well. This is the first opportunity I have had to say thanks to the minister and people within his ministry for making it all possible, with the assistance of the Ministry of Northern Affairs.

I want to also thank you for the assistance that your ministry and your regional office in Thunder Bay is giving to the dormitory communities of Marathon and Manitouwadge, which are having an awful lot of pressure put on them for all kinds of services, particularly water and sewers, as a result of their being asked to be the dormitory communities for a work force that is located elsewhere.

We have not involved you in the battle of the financing of those services. It is well in hand with the major operating ministries that have some responsibility for tax sharing agreements between the province and the creatures of the province, namely the municipalities.

Ron Gotts is up in Thunder Bay now. He would have all of this well in hand. I would not even have to bring it up but Wally Vrooman is faced with some really sticky problems. He has had to lower the boom on people who are occupying crown land illegally, using 45-gallon drums as a septic field. Because the sewage is just running into the creeks up there, he has had no alternative but to do something.

The effect of that has been that there are about 70 occupants of trailers and mobile homes who simply have to move from one location. They are being chased off because they are on the highway right of way and the Ministry of Transportation and Communications does not like it, for some strange reason. We have to find an alternative.

Winter is fast closing in. We have a co-ordinating committee up there that has the responsibility of looking after the pressures of development and the new prosperity that is coming to that area. The only thing we have been able to come up with is to try to relocate these people in a provincial park that has already been closed for the winter.

The logistical problems of opening up a park and making sure that facilities like water and sewerage will not freeze in the winter is going to require some dollars. I do not think the people who are being relocated should get off scot-free. I think there should be some charges, but I hope your regional people will co-ordinate with the parks people and the Ministry of Natural

Resources to see whether or not that is a viable alternative.

Your ministry has to do something. The Ministry of Transportation and Communications has to do something. The only alternative we have been able to come up with is to relocate them in this provincial park. I hope your regional people will give whatever technical expertise and advice they can to assist the Ministry of Natural Resources, if we can convince that ministry it is a viable alternative. It seems to be the only alternative now.

You have a problem. The people who are there working in construction have a problem. I hope you will talk to your regional people and ask them to co-operate with the Ministry of Natural Resources and those people who have to be relocated to see that is done.

The other thing I wanted to bring to your attention is the following. You and I have been in correspondence over the plight of communities such as Nakina, Longlac and Beardmore, which do not have an industrial tax base sufficient to keep down the costs of the payments you require from them to operate the sewage and water facilities. In the last correspondence I had with you, you recognized it was a problem. You partially answered my question when you were talking to Mr. McGuigan about a similar thing.

It seems that when local people in Nakina are faced with an 80 per cent increase in water cost, they have reached some accommodation with your people. They say, "Okay, if we stretch it out a little bit more, perhaps we can keep the increase to something in the neighbourhood of 50 per cent."

You did promise to look at those specific situations, and the three that come to mind are Beardmore, Longlac and Nakina.

That correspondence from you is about a month old. What is the process? Have you come any closer to reaching a decision as to how you might level off those payments or cushion the blow of increases that could be as high as 80 per cent?

Hon. Mr. Brandt: Let me deal with your first statement and I will try to make it very brief because I recognize the time factor. I am not going to call upon Mr. Caplice to answer the questions you raised with respect to the development pressures and also the second part, which was about the residents we are going to have to move because of their being improperly sited on some government lands. We are working on that and are co-operating on the issue. If you have any difficulty with it, let me know.

As I understand it, our ministry is providing the kind of technical assistance you have asked about.

I want to say to the members of the committee that if I have one frustrating problem it is this problem of municipalities with either a real or perceived rate problem on the water or sewage side. I might add to the comments I am going to make that my parliamentary assistant has been extremely active in this whole exercise. People ask from time to time, "What does a parliamentary assistant do?" I can assure you Mr. Harris has been very busy on this question.

Mr. Wildman: Where is he?

Hon. Mr. Brandt: He was not able to be here. He is not on this committee, I believe.

Mr. Chairman: This is the first estimate he has missed actually. He has been here every other time.

Mr. Stokes: He had a rough night last night.

Hon. Mr. Brandt: I am advised that—

Mr. Stokes: He is one of the leadership aspirants.

Hon. Mr. Brandt: I am advised he is working on behalf of the Ministry of the Environment in another venue at the moment. Whatever the case, I just want to say I gave Mr. Harris the specific responsibility of negotiating with and assisting municipalities that had rate structure problems.

I want to share this problem with you. We attempted to go about it two different ways. The first and best approach, if it was workable, was to take a global approach that would deal with the difficulty in an even-handed way right across Ontario. There would be no suggestion, which can always come up, of unfair treatment for a particular municipality or that we were dealing differently with a municipality.

12:30 p.m.

Quite frankly, we have not been able to find a way to make that work. They are at different stages. Let me give you a quick example of the type of problem.

When a municipality has a rate increase that is as a direct result of that municipality acting irresponsibly and not increasing its rate to reflect operating costs and inflation, if that has gone on—and I will not mention the municipality because it is not here to defend itself, but there is a municipality that has done this type of thing for about 10 years. They just have not raised their rate. Now, all of a sudden, their rate goes up 100 per cent.

Of course, if I do not have the specific document in front of me, if I do not have the

details, and the question comes at me across the floor, all I am looking at is a rate increase of 100 per cent. That is the stark information sometimes contained in a question I get.

The reality is, if that municipality had operated in a responsible fashion it would have had five, six or maybe 10 per cent increases on an annual basis, to reflect inflation if nothing else, and it would not have a big jump to have to catch up to whatever the 1984 rate is. There are municipalities in that grouping. I am giving you an extreme example, but there are all kinds of nuances from that one to the municipality that is perhaps a couple of years late and has been dragging its feet in making its rate more reflective of today's circumstances.

Mr. McGuigan mentioned in part the problems of anticipatory growth situations, where you have a municipality that perhaps does not come up to size in population growth and the system, for whatever reason, is overbuilt. I find, on going back and checking the documents, there are occasions when the province has been at fault and perhaps encouraged the growth in that region. Haldimand-Norfolk is an example of that kind of thing.

We also, however, get the other side of the ledger. At one time, from a planning standpoint, rightly or wrongly, the province designated certain growth areas. You may recall those days when it indicated that growth in the province would take place in certain sections. Many municipalities, my own included, argued that the province was underestimating the growth potential of the community. They felt new industrial development would take place because negotiations were going on for a new industry or whatever. As politicians, we all tend to be somewhat optimistic at the local level of government and at the provincial and federal levels.

What happened is that the municipality had a very direct influence on the size of the system that was eventually approved. We may have recommended a system that was considerably smaller. The local officials, along with their planning and consulting people, had come into the picture and through their influence the size of the plant was made considerably larger. Ultimately, somewhere down the road, they ran into a rate problem because they did not have the population or industrial or commercial base to support that.

I think really what we are down to—and this is going to specifically answer your question, Mr. Stokes—what we are going to try to do is review

each of these on the individual merits of the system. We tried to do that with Mr. McGuigan's system and we will try to do it with your system and with whatever other systems where this problem is brought to our attention.

I cannot tell you we will be fair and equitable in every case, but we are going to try to be. We are going to try to apply a reasonable formula that will take into account the myriad factors that can be involved, and I am only giving you a few of them that go into the ultimate end number that results in what the municipalities have to pay. We will look at it.

Mr. Chairman: Our time has expired.

Vote 2201 agreed to.

Votes 2202 to 2204, inclusive, agreed to.

Mr. Elston: I have one question.

Mr. Chairman: Shall I report the estimates to the House?

Mr. Elston: Before you do that, I do want to make note again of the fact that we are voting estimates here which I understand have been supplemented by this pressure-point budgeting which—

Hon. Mr. Brandt: The \$7 million to the Ontario Waste Management Corp.

Mr. Elston: At some point it would be nice if we could have some information about what was used to determine the allocation of the \$7 million extra to the Ontario Waste Management Corp. I say that only from the point of view that it really puts our voting of \$5 million for its budget more or less out of date in terms of what is actually happening.

The other question I have—

Hon. Mr. Brandt: You have my undertaking that we will provide you with the details of the supplementary estimates to which we agreed.

I might add, and I want to make this point for the record, last year we agreed that pressure-point financing would be used for that agency. As the need and the demand were there, we would add the money. It was approved, as you know, by cabinet. The money is available to them as required, but we will give you the details of the expenditures related to that undertaking.

Mr. Elston: The only other thing is a concern raised to me by someone who works inside another political party. That person was concerned that I ask you how many automobiles your ministry owns, because it was felt your profile was very much like, or it was suggested you looked a little bit like, the Premier from St. Thomas, Mitchell Hepburn.

Mr. McGuigan: He has more hair.

Hon. Mr. Brandt: And I am thinner.

Mr. Elston: I had never noticed that before, but this particular person suggested I ask the question. I wondered if you wanted to respond to that at this time.

Hon. Mr. Brandt: I am sorry, it is too late for that.

Mr. Chairman: That will be the first question next year.

Mr. Elston: He is not going to be here next year.

Mr. Chairman: This completes the estimates of the Ministry of the Environment.

I would like to thank the minister and his staff and the critics and all members of the committee. This committee is adjourned.

The committee adjourned at 12:36 p.m.

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No. R-27

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Provincial Secretariat for Resources Development



Fourth Session, 32nd Parliament
Thursday, October 25, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, October 25, 1984

The committee met at 8:10 p.m. in room 228.

ESTIMATES, PROVINCIAL SECRETARIAT FOR RESOURCES DEVELOPMENT

Mr. Chairman: The Provincial Secretary for Social Development (Mr. Sterling) is going to make some remarks prior to reviewing his estimates. We have five hours for this particular set of estimates. I do not know whether his statement is going to last five hours or not, but he is prepared to begin.

Hon. Mr. Sterling: Mr. Chairman, thank you very much. As many of you know, the office which I hold has a variety of responsibilities. I will try to stress some of the specific responsibilities I have and some of the general ones in the statement I am about to present to you. I believe each one of you has a copy of it now.

I believe we have five hours.

Mr. Chairman: Five hours, yes.

Hon. Mr. Sterling: In order to arrange the timing of the staff of the Niagara Escarpment Commission, if we are to go to Tuesday night for the other two and a half hours, if that is the wish and I have no indication it is going to be any different, I had suggested that the chairman of the Niagara Escarpment Commission come on Tuesday night. I have tonight Carl Dombeck, who was very much involved in the drafting of Bill 80 and has been involved in the access to information and privacy legislation.

If members want to divide those two issues in terms of time, I would suggest they do it that way. However, in terms of any questions about the Niagara Escarpment plan or the Niagara Escarpment Commission, Ken Richards, who is with me tonight, would be able to assist me in any way if I needed such assistance.

I have with me Kathy Smith, who is with the secretariat and is in charge of the financial matters of the secretariat, and Judy Clapp, who is the director of the native branch of the secretariat.

Mr. McKessock: What branch?

Hon. Mr. Sterling: The native branch.

Mr. Wildman: The people who owned the place before we invaded.

Hon. Mr. Sterling: As to the questions that were placed on the Orders and Notices, I would

be pleased to answer them during the debate or any time anybody wants to raise any of those specific questions.

I would like to summarize the last year, the activities I have undertaken and the activities of my staff and of the Niagara Escarpment Commission, which reports to me.

As you know, I am the chairman of the cabinet committee on resources development. A lot of the time that is spent by me and my staff is devoted to the co-ordination of policy development within the resources field. Last year CCRD met regularly every two weeks and dealt with a wide variety of issues, some of which you will find in your briefing books. If we counted the issues we have dealt with in the last year they would number somewhere in the neighbourhood of 80 to 100 issues. I have not counted them exactly.

We have also met with a number of delegations from various interests. We generally have an open-door policy towards delegations that might want to express the view of an association or an interest in Ontario. My staff is in frequent contact with the staff of ministries, within and outside the policy field, to ensure that policy development takes in all relevant views.

One of the ways in which I have been able to streamline the activities of the ministries in the resource policy field, as chairman of the cabinet committee on resources development, is with something I have developed at my own initiative, namely, an omnibus bill which is now before the Legislature, the Resources Development Statute Law Amendment Act, 1984. It received first reading on June 18, 1984. I think members should know I consulted with both opposition parties prior to introducing that bill.

The legislation deals with statutes administered by ministries within my policy field. It makes amendments which are of a minor or housekeeping nature, although I hesitate to use that word. As soon as you use that word everyone raises his eyebrows and says, "Oh, yeah?"

Anyway, the bill is not an attempt to alter or create policy, although any change in legislation does, in a very minor way, change a part of policy. Its purpose is to minimize the amount of time we spend in the Legislature on minor matters. The bill actually amends some 35 pieces

of legislation from eight different ministries within the policy field. It would be my hope that when I take it before the Legislature, general agreement can be reached on most of the matters.

I have received from each minister who gave me a piece of legislation to carry on his behalf, the right to withdraw that piece of legislation should it stumble in the Legislature; if someone or some party within the Legislature feels he, she or it cannot support that piece of legislation and therefore could not support it on second reading.

This is a new concept which I introduced to the policy field last year and which seemed to gain momentum as we went through. It is something which perhaps the other policy fields might want to follow after the experience of the bill going through this fall. At least it is my hope that will happen.

In 1981, my predecessor as Provincial Secretary for Resources Development was appointed to the board of directors of the Canadian Council of Resource and Environment Ministers, and that responsibility has been passed on to me.

CCREM provides an intergovernmental, federal-provincial forum for ministers involved in resources and the environment across Canada. It meets once a year to discuss issues in those fields. Support for the council is provided by a committee of deputy ministers and senior government officials who meet on various occasions throughout the year and plan for the annual meeting of the ministers.

This year the meeting took place not too long ago—actually, this month—in St. John's, Newfoundland. Topics included water management, toxic chemicals, soil protection and climatic change.

I will be serving as president of the council for 1984-85. I would like to add that in 1985 Ontario will be hosting a major conference on soil erosion in conjunction with CCREM. The annual meeting will be held in Toronto in the fall of 1985. I hope to couple these meetings together.

8:20 p.m.

For those of you not familiar with CCREM, there was an attempt to get together the disciplines of various ministries, both at the provincial and federal levels. The resource ministries and the environment ministries would then be sitting in the same room, so that common problems such as acid rain, which crosses over into forestry, natural resources and the environment could be discussed in a forum where everyone had a chance to participate.

In some ways I have not been pleased with the history I have read about CCREM as it seems to

have focused on the environment ministers. It is my hope that by introducing a major thrust in soil erosion, which would include ministries such as agriculture, natural resources and environment that the interdisciplinary part of CCREM can be reintroduced next year.

I would like to turn to another area I have some responsibility for, the area of privacy and access to information. Many people ask, "Why is the Provincial Secretary for Resources Development involved in such an issue?" In some way I could justify the carriage of the issue because of the rapid change in technology and the whole communications industry undergoing change. However, the principle reason I have carriage of it has been the fact that I first received that responsibility when I was made Minister without Portfolio in 1980. Rather than switch the focus on it, when I became Provincial Secretary for Resources Development I asked that I retain responsibility for it.

In May of this year I introduced Bill 80, the Privacy and Access to Information Act. It creates a general right of access to government information for those individuals who are Canadian citizens or corporations which are legally resident in Canada. Access to government-held information is qualified by 12 basic categories of exemption which protect both the legitimate needs of government for confidentiality and the right of the individual to privacy.

The protection of individual privacy is enhanced and promoted by provisions dealing with methods of collection, storage, use and dissemination of personal information. The right of access by an individual to information held about himself or herself carries the further right to demand corrections—in other words, fair information practices.

Besides the introduction of Bill 80, the secretariat has been involved in some other activities in the privacy and access to information area during the year. A large federal-provincial international conference was held in May 1984 entitled Conference on Privacy: Initiatives for 1984. More than 300 delegates from the private sector and various public sectors participated in discussions on privacy of personal information held in computerized data banks. A symposium made up the first part of the conference and provided delegates with an opportunity to examine the available options for securing privacy in these private sector data banks.

I have brought with me a videotape of one of the speeches made by John Grace, who is the privacy commissioner for Canada. If it is the

desire of the committee, to view that during the particular proceedings, or if some of the members feel that they would like to hear about Mr. Grace's function, that might be the best method of doing it. It might vary the procedure a bit, but perhaps the committee could express its desires in that way.

Mr. Chairman: After your remarks and the critics' remarks might be an appropriate time. We will see what the committee desires.

Hon. Mr. Sterling: Following the symposium, an interprovincial ministers' conference was held to discuss the same issue. The meeting resulted in the establishment of an interprovincial officials' group, which my deputy minister chairs. The object of the group is the achievement of some uniformity in provincial and federal activities in the privacy area.

Recently a private sector advisory group was set up consisting of representatives of associations and industries which use personal information extensively in the conduct of their business. The group also includes representatives of advocacy groups with an interest in this issue. The function of the advisory group is to provide me with advice on data protection and to provide a forum for the exchange of information about the development of voluntary data protection codes.

I would like to turn to another matter which is under my jurisdiction and is of a particular nature not associated with my co-ordinating function as the provincial secretary for resources development. That deals with the Niagara Escarpment.

For those who may not be familiar with the width and breadth of the Niagara Escarpment planning area, it extends for some 400 miles or some 700 kilometres, from Queenston Heights to Tobermory. It represents a strip of land which varies in width anywhere from half a mile to perhaps two and a half to three miles. For those who have not had the opportunity of visiting or travelling along the escarpment, I suggest you do so.

As a government, we have been very much interested in the preservation of the escarpment. In 1973 our government produced a special act to deal with the planning for this area. After some 11 years of planning, of actually carrying on a development process in the area, I announced the recommendations of the provincial secretary on the Niagara Escarpment plan, in accordance with that act, on July 31. This announcement brought the government a step closer to the permanent plan to protect this important resource.

After several years of fact-finding field work and discussion with special-interest groups and municipalities, the Niagara Escarpment Commission published its first proposed plan in 1979. After that proposed plan was put into place, public hearings were conducted by a group of three hearing officers seconded from the Ontario Municipal Board. There were more than 700 submissions made at these hearings, and some 10,000 people attended the hearings.

The hearing officers then issued a report in January 1983 with their recommendations. Finally, in June 1983, the commission produced yet another plan, their final proposed plan. It was my job to take the hearing officers report on the one hand, and the Niagara Escarpment Commission's report on the other hand, and try to come to a conclusion as to what the rules should be for land use in that area.

My report includes some recommendations from the hearing officers, some from the commission and some of my own. In the notes given to you I have summarized some of the recommendations I have made. Some that are of importance are the maintenance of the continuity of the escarpment from one end to the other. I made sure in my recommendations that that continuity was not broken.

I made several recommendations dealing with specific matters which were of concern to environmental groups, one being in the Beaver Valley, where I excluded both the commission's and the hearing officers' recommendations and postponed further recreational development in a very critical part of the Beaver Valley.

As a government, we have committed ourselves to land acquisition in the escarpment area over the next 10 years. A fund of \$25 million will be spent on acquiring land for use of public in the area.

Interruption.

Mr. Stokes: Are those unruly young Tories?

Mr. Chairman: Actually, the mayor is from the north. I think you will be sorry you asked that question.

Mr. Stokes: From the north?

Hon. Mr. Sterling: I do not think they are from the east, Mr. Stokes.

Mr. Wildman: They are from the northeast.

Hon. Mr. Sterling: At any rate, Mr. Chairman, I will attempt to continue.

Mr. Chairman: Yes, over the applause.

8:30 p.m.

Hon. Mr. Sterling: There are many other recommendations within the report. It is very

difficult to summarize those which would be of most importance to any one of you. I would ask you to read the rest of those recommendations contained on pages 9, 10 and 11 of the notes I have given to you.

Under the act I had to give notice for my recommendations to the appeal, too. Basically I extended the time from three weeks to six weeks, as required by the act, and gave until September 14 to respond. Cabinet is now faced with some 200 appeals on my recommendations. To resolve them will take some time, unfortunately, in order to give each appeal a fair consideration.

I was certain when I made my recommendations that my report was provided to municipalities, all the clerks in the relevant municipalities, and that copies were delivered to places like public libraries so that everyone would have fair notice and would know about the recommendations. I have received very little adverse comment about inadequate notice and most people have had access to the planning documents in order for them to put forward their appeal.

Generally the response to my recommendation has been very positive. I have received many letters from conservation groups, municipalities and the Niagara Escarpment Commission all of which have been—not all; I must say there are a few exceptions, but most have been—generally supportive of the plan. There are some issues, of course, over which there is still controversy, as anyone would expect in any land use plan of this scope.

As I stated in Burlington on July 31: "If I erred in my attempt to reconcile the conflicting interests"—that is the conflicting interests of conservation versus development—"I have, I believe, erred on the side of conservation."

I would like to turn to my mandate as minister responsible for native affairs. My remarks in this area will be relatively brief so committee members will have as much time as possible to express their own views. I expect to hear those.

Mr. Stokes: Just because you do not have any of your own.

Hon. Mr. Sterling: That is not true. I knew I was leaving myself open as soon as I read that. I would be pleased to hear your views, Mr. Stokes, and those of any other member, as the issues are difficult to deal with, to say the least.

I know that some members of the committee, like Mr. Wildman and Mr. Stokes in particular, have a great interest and experience in this area because of the constituencies they represent.

Beyond the personal contributions which you may make, I believe that the scope and complexi-

ty of native issues touch our very core as individuals and as a nation. It is only fitting, then, that we work together in a positive atmosphere to bring a collective wisdom to bear on the issues that have been with us for so long. Accordingly, I welcome the opportunity to put an overview of native affairs before the committee. It is my profound hope that we can work together to resolve at least some of them.

Under the Constitution Act of 1982, Indians, Inuit and Metis are equally included within the meaning of the phrase "the aboriginal peoples of Canada." Clearly the cultural, social and political realities of these separate peoples vary considerably, and I will try to reflect these differences in my remarks. I might note that there is as yet no consensus about just who is to be encompassed within each of these terms. There is a particular problem perhaps with the Metis definition as opposed to the Indian and Inuit definition.

Native people testify—and statistics confirm—that across Canada aboriginal people have social and economic disadvantages when compared with the average citizen. At the same time, it is clear that aboriginal people in general feel that an injustice has been done to them in the manner in which land was opened for development and government extended its jurisdiction over them. Consequently, both senior governments are faced with both an assertion of need as well as an assertion of rights by aboriginal people.

The option of dealing with only one or the other of these assertions is really quite limited. In the first place, while government is committed to meeting the needs of native people, the Constitution recognizes and affirms the existence of aboriginal and treaty rights, even though these rights remain largely undefined.

In the second place, native leaders insist that the right to self-determination is the essential agent for the promotion of greater economic and social self-reliance.

In their view, rights to self-government would enable aboriginal people to mobilize their communities for the provision of more appropriate and accessible services. Rights to land and resources would provide aboriginal communities with the economic base they need for development. It is because the question of self-government is so encompassing that I have chosen to focus most of my remarks on this issue.

I believe that in Ontario, as in most other jurisdictions, there is an acceptance of the fundamental validity of the proposition that greater involvement in the decisions affecting

one's own life is essential for social and economic development. In other words, most governments can see material benefits accruing to aboriginal people through the exercise of greater self-determination.

In the long run, these benefits will reduce the dependence of native communities on government. Indeed, I would say the consensus on this point is so strong it is inescapable that at least some institutions of self-government will evolve for aboriginal people in the near future.

At the first ministers' conference on aboriginal and treaty rights in March of last year, which I attended, the primary subject of discussion was the entrenchment of self-government in the Constitution. In the last parliament, the federal government introduced a self-government bill for Indians on reserves.

Most recently, Alberta has been considering revisions to its legislation establishing a form of local government for the Metis settlements in that province. Furthermore, aboriginal people themselves are taking direct action to increase whatever degree of self-determination they already possess.

For example, the Kingfisher Lake band, with the support of the federal government, has formed a development corporation, and taken over the ownership and operation of the former Hudson's Bay Co. in that community. The Rainy Lake region tribal council, with the support of the province, has established a corporation to plan and develop a child welfare authority for bands in the district.

In the urban areas of Ontario, native people have organized crisis centres for women, children's programs, housing corporations, student residences, and halfway houses for alcoholics. Each of these initiatives is an expression of the desire and drive of native people for greater self-determination.

To my mind, then, the pivotal concern in the native affairs area is greater self-reliance, and the central question for Ontario is how the province can assist in the evolution of institutions of self-government for aboriginal people.

This question raises a number of issues. For example:

1. Should aboriginal self-government be established in accordance with constitutional right, or should it be developed pragmatically by legislation and delegation?

8:40 p.m.

2. How should the legislative and financial responsibilities of the federal and provincial governments be restructured in order to clarify

their respective roles in relation to aboriginal peoples?

3. Can the concept of aboriginal self-government be adapted to meet the very different expectations and needs of those people living on reserves who have a land base, and those people living in rural and urban areas who do not have a land base?

4. Can Ontario support the assumption of former Bill C-52, the Indian Self Government Act, that the federal government has an unfettered power to delegate provincial heads of power to Indian governments?

5. Should Ontario make special regulatory provisions for native institutions of self-government off-reserve?

6. Should Ontario make lands and resources available to aboriginal peoples on an exclusive, preferential or joint-management basis as a support to the economic development of aboriginal communities?

We have already begun to grapple with these issues. Essentially, we are trying to deal with them at two levels; namely, through the constitutional talks and through bilateral and tripartite discussions with the federal government and aboriginal associations on issues of concern in our province. I would like to outline some of our activities in these two areas.

The constitutional discussions have centred on the first ministers' conferences on aboriginal and treaty rights of 1983 and 1984. The constitutional accord agreed to at the 1983 first ministers' conference commits all parties to two or more such conferences by 1987. Preliminary work is already under way for the 1985 conference.

At these conferences, the aboriginal representatives have taken the view that self-government is an aboriginal right. As such, the right to self-government is already entrenched in the Constitution and only its meaning needs elaboration. Ontario has taken the position that it is not clear that self-government is an aboriginal right. Courts have generally interpreted aboriginal rights as comprising only rights to the use of land and resources.

Therefore, at the 1984 first ministers' conference, our Premier (Mr. Davis) proposed four general principles regarding the status of aboriginal people in Canada, namely: Recognition of the uniqueness of aboriginal cultures and languages; acceptance of the need of aboriginal people to benefit from the use of natural resources; support for various institutions of self-government for aboriginal people; and affirmation of aboriginal participation in the development of resources.

At the same time, Ontario adopted the strategy of encouraging the development of institutions of aboriginal self-government through progressive and measured steps. To this end, the province supported a federal proposal that a variety of models for aboriginal self-government be constructed which could respond to the needs of communities in differing social and economic circumstances. These models should be tested and refined in selected communities.

Based upon this process of exploration and refinement, a more general provision on aboriginal self-government could be entrenched in the Constitution. Such general provisions would, of necessity, reflect the diversity of aboriginal peoples and communities across Canada. These would also respect the fundamental structuring of government powers set out in the Constitution, and, as many of you know, our native or aboriginal people have stated that what is good in one area may not be good in another in terms of their model of self-government.

If we accept that the inclusion in the Constitution of rights to aboriginal self-government is an evolutionary process, then the second level of activity I spoke of is intimately related to the first. As I have mentioned, the second level deals with concerns of immediate interest in the province. We see the resolution of these concerns as a means of not only meeting needs but also of building a base for self-government. This base consists equally of institutional and skill development. I would like to give you some examples of some initiatives in this area.

In July of this year, our Minister of Education (Miss Stephenson) announced that a native-language-as-a-second-language program would be implemented in the school system by September 1986. The policy was designed to legitimize the status and function of native languages within the school system and thereby prevent erosion of the native culture through the loss of language.

On native child welfare: As recently as October 16, the Minister of Community and Social Services (Mr. Drea) announced that his ministry had entered into an agreement with several tribal councils to effectively set up children's aid societies to be run by tribal councils.

On Indian policing: The Ministry of the Solicitor General has agreed to extend the tripartite Indian policing agreement for another year. This agreement provides for the operation of the Ontario band constable program, which has been given 52 per cent federal, 48 per cent provincial, government funding.

This year, the agreement institutes the establishment of an Ontario Indian police commission as an advisory body to the minister. Through the commission, Indian bands now have the opportunity for input into the design and management of the Indian band constable program.

These initiatives, although not as wide as I would like them to be, highlight some of the commitments of the government to addressing the needs and aspirations of our native people. They are consistent with both the desire of aboriginal people for greater effective control over their own lives and the approach of Ontario to proceed in an evolutionary fashion with the establishment of institutions of self-government for aboriginal people.

Mr. Chairman, in addition to chairing the cabinet committee on resource development, I also sit on four other cabinet committees, which involves a great deal of my time during the week and involves the time of some of my staff in preparing me for those meetings.

I am the chairman of the cabinet committee on native affairs and the vice-chairman of the cabinet committee on legislation, which is the final vetting process for legislation from all ministries. I sit on Management Board of Cabinet, and on the policies and priorities board of cabinet as well. I am able to say a fair bit about a lot of things that go on in our government.

I am gaining experience in this area. I am not personally satisfied that all of the structures in government are set up properly, and I would hope that, during the next while, some of the structures may be redeveloped. I do not think there is any better time to talk about it.

Mr. Stokes: What is your personal opinion of provincial secretariats?

Hon. Mr. Sterling: If you would like to enter into a debate on that, now or later, I would enjoy having that discussion. I do have some feeling on it, having been the Provincial Secretary for Justice as well as Provincial Secretary for Resources Development. I would enjoy that discussion and would like your comments on it.

I believe that any political minister must have some specific responsibilities as well as a co-ordinating function. Therefore, I think each provincial secretariat should have—if you want to name the person who co-ordinates the policy field a secretary; I do not think the name is that important—an on-line and program delivery function as well as being chairman of a policy field.

Mr. Stokes: Like freedom of information, or something like that?

Hon. Mr. Sterling: Either that or, in terms of my own secretariat, I would prefer the concentration of more of the native affairs matters of our government into a ministry—perhaps a ministry of native affairs, which would include the secretariat as an adjunct to that particular ministry to co-ordinate a policy field.

8:50 p.m.

I believe the areas of access and privacy of information, the Niagara Escarpment, and native affairs are the only ones in which I get an opportunity to develop my own policy, but because I do not have program delivery ability it is very difficult to put some of that policy into place. Therefore, I hope that as political events evolve, discussion on that matter will evolve amongst my colleagues in particular. I am sure that how we function is of interest to all members of the Legislature.

I am absolutely convinced that the policy fields are of great benefit; the check this provides in the process is well worth the small expenditure we make in terms of maintaining the policy field as it is now. The cabinet just does not have time to go through the policy submissions in enough detail to deal with them properly.

My policy analysts and advisers often work closely with the ministry, and a number of the recommendations are changed at that level. More recommendations are changed at that level than at any other level. Therefore, you do get a lot of the conflicts taken out. We can have a further discussion later.

Mr. Stokes: I am totally out of order, but I just want to say that while I cannot disagree with anything you have said as a result of your reaction to my question, more important than anything is the person who occupies the position.

This is not to cast any reflection on any of your predecessors, but if you look at the paucity of stuff that came out of this secretariat prior to your taking over, obviously it was going nowhere, it was floundering; it was almost becoming an embarrassment.

I am happy that I cannot say that now; I think it depends a whole lot upon the individual.

Mr. Chairman: The appropriate thing now would be to hear any remarks from the critics. I do not know who the critics are.

Hon. Mr. Sterling: I think the problem with the Liberals is that they have not defined who my critic is.

Mr. McKessock: Our critic is not here tonight, but Mr. Miller and I are willing to take

over and we will make a few comments on your presentation.

You started by talking about the Niagara Escarpment. As you know, this is quite familiar to me as I live on the Niagara Escarpment and have been one of the critics in that area for some time. I have looked upon the past 10 years—I believe you said 12 years—in the making of this plan as a great expense to the province. I realized at the time the talking started that there was not a lot of planning being done within the province.

However, great changes in the planning have taken place in the past 10 years, and it could be that the Niagara Escarpment Planning and Development Act and the Niagara Escarpment Commission did something to prompt that planning process or to prod it along a bit. I know that 10 years ago in my own county we did not have official plans and zoning bylaws and today they are all in place; it is the same in many other counties.

Now I feel the Niagara Escarpment Planning and Development Act is redundant; it follows along with the counties making their own plans. I feel there is no need for the commission whatsoever. The official plans have adopted most of the Niagara Escarpment plan policies anyway. At this point, that is what is going to happen: the official plans are going to take over from the Niagara Escarpment plan.

That being in place, I do not see why there is any necessity to hang on to the Niagara Escarpment Commission, which has cost us from \$1 million to \$1.5 million each year, over the past 10 years, and which will continue to cost us money.

Right now, as you mentioned, you are going to turn the administration of the plan over to the municipalities. The responsibilities of administering the plan are going to be given to the local municipalities, and the commission is just going to sit there. They must feel pretty good about that, because they are going to have those responsibilities—very controversial responsibilities through the years—taken away. It must be a big load off their backs to be able to sit back and have the municipalities make these decisions on development control and the like. The commissioners still sit there and get their pay.

I do not see any reason for that at all. If the municipalities are going to do it, the Niagara Escarpment Commission should be disbanded.

It is going to be interesting to see how many municipalities will take this job on. What are your plans for compensating them if they do take it on?

Mr. Chairman: Let us get all the questions on the record.

Hon. Mr. Sterling: I am willing to go back and forth, if that is what members want.

Mr. McKessock: I would just as soon get a response to that now, if I could.

Hon. Mr. Sterling: I would like to respond to some of the other remarks you made as well. It is whatever the committee desires, Mr. Chairman.

Mr. Chairman: If you want to respond to Mr. McKessock's question, we will then go to the New Democratic Party. We will do it that way; just as long as both do it the same way.

Hon. Mr. Sterling: First of all, although there has been a great deal of planning started in a lot of the municipalities, I might point out that all of the 44 municipalities which fall in the Niagara Escarpment planning area, do not have an official plan yet. In fact, I know of at least one township that has the zoning orders still in place on it.

The mix of planning expertise is very different from one end of the escarpment to the other, and the sophistication of the planning abilities of various municipalities is very different, as it is in my own riding back in eastern Ontario.

I do not feel that the act or the planning concept is redundant or finished. Two things have to be maintained, in my view, to maintain the Niagara Escarpment. One is the fact that, with 44 municipalities, there has to be some continuity or uniformity of planning action and implementation from one end of the escarpment to the other.

Number two is that a provincial interest must be expressed in some way, in terms of the planning of that very special piece of landscape which we have recognized. Therefore, I do not believe the province can withdraw in toto from the whole planning process at this time.

Mr. McKessock: Of course, all official plan zoning bylaws have to be approved by the Ministry of Municipal Affairs and Housing anyway.

Hon. Mr. Sterling: That is true, but in terms of our recognition of the Niagara Escarpment planning area being special and different, as opposed to any other place in Ontario—we have expressed that in legislation in 1973—we have not yet come to the point where we can say that our general planning laws are adequate to take care of this special planning area.

Mr. McKessock: But you are asking for them to be put into each official plan.

Hon. Mr. Sterling: Yes, we are asking for them to be put into each official plan. If you read

the implementation proposal within my recommendation, it also calls for special planning procedures if a county, region or municipality is to take over the planning powers in the planning area.

9 p.m.

You said there would not be any need for the Niagara Escarpment Commission. That may come about somewhere down the road, I do not know; I cannot predict that right now. However, we have said within our plan, if a municipality wants that planning control under the conditions we are setting—because of the provincial interest in it—then it can have it, but the municipality is going to have to request it, before we would hand it over. In other words, we are not going to foist it upon them.

Out in your area, the county might say, "We would rather have the Niagara Escarpment Commission continue to operate the development permit system that they now are putting in place." Quite frankly, that is the kind of feedback I get from some of those areas. They think the Niagara Escarpment Commission is doing an adequate and satisfactory job.

Mr. McKessock: Are you going to compensate them for doing the job if they take it over? You have been paying the commission \$1.5 million to do it.

Hon. Mr. Sterling: Yes, we have been paying the Niagara Escarpment Commission to set up the plan and to actually have an administrative system for allowing development to occur within the Niagara Escarpment planning area.

I have said we will assist municipalities in placing the plan within their own official plan area; we will assist them in drawing up the necessary bylaws in order for them to take it over. However, I think a dividing point comes when a municipality takes on the responsibility for the area. Then, although it is our planning law, the responsibility for paying for the implementation of the system would be theirs.

Mr. McKessock: That is a great deal, is it not? They are forced to put it in their official plans; so you are going to help them do that. That is understandable. Then you say, "If you are going to administer it, it is going to be your responsibility." There is no incentive for the municipality to take it over; it is going to add more costs to the municipality.

Hon. Mr. Sterling: In my view, the municipalities can have it either one way or the other. If they want the responsibility for planning in their

own municipality, we are willing to give it to them under certain conditions.

Mr. McKessock: If they pay the costs.

Hon. Mr. Sterling: Yes, that is normally the way it is done in Ontario. Planning, when you have it in the control of the municipality, is a cost to the municipality.

Mr. McKessock: If you did away with the commission, you would have some money to help the municipalities.

Hon. Mr. Sterling: Why should we not help the municipalities' plan up in Mr. Wildman's riding? Why should we not help them?

Mr. McKessock: Because this is a provincial interest, you keep telling us.

Hon. Mr. Sterling: That is right.

Mr. McKessock: And special attention has been paid to these areas.

Hon. Mr. Sterling: That is right.

Mr. McKessock: If that is the case, if it is a provincial interest, you should help them.

Hon. Mr. Sterling: We are going to help them put it in place.

Mr. McKessock: You should help them administer it as well.

Hon. Mr. Sterling: That is the decision at this point in time. If they want to take it over, we will assist them in putting in in place, but from then on it will be a municipal responsibility. I do not think the responsibility would be that great with regard to the added expense they would have.

There is some talk, for instance, with the townships of Mono and Mulmur that they would get together, perhaps with one planner for the three areas and that kind of thing. A lot of townships are getting to that point where they want to get some planning expertise within their own area, and this would not be much of an addition to their other normal planning activities.

Mr. G. I. Miller: Would you let them do some development down there so they could get a return? If they are going to take on the responsibility, maybe they could get a return on it. Right now, no development is allowed and there is no future plan of development either.

Hon. Mr. Sterling: I do not think you plan to put up buildings, Mr. Miller, just to get cash in return. Planning is done for various reasons. One is to maintain certain landscapes, certain historical matters, certain resources which you have within your own municipality. It is wrong to say that it will not allow any development in the area. There are various levels of development that are still within the escarpment planning area.

I do not look at planning as a payback proposition. You do not have a planner to issue building permits and to raise dough. That is not the function of a planner, in my view.

Mr. Wildman: Can I just ask a supplementary? In various municipal planning areas across Ontario, the sophistication with regard to planning has developed to the point where the local planning board has taken over the responsibility for subdivision approvals, severance approvals and those kinds of things, because local authorities wish to be able to exercise that responsibility.

I believe I am correct in my understanding that when the provincial government has acceded to those kinds of requests, in some cases—depending on the local planning personnel, who might not be available in the area—the provincial ministry does provide personnel to help them, but generally the provincial government does not provide funding to them to carry out this responsibility.

Hon. Mr. Sterling: That is basically correct. With respect to the regional municipality of Ottawa-Carleton, for instance, which was one of the first regions—

Mr. McKessock: But in that case you are not talking about a provincial interest.

Hon. Mr. Sterling: We are talking about the transference of planning powers to them and the right for them to approve subdivisions and to do a number of other planning functions.

In their case they had to prove that they had the expertise, so we would be certain it was done right and we would not be left holding the bag—which we always end up holding anyway—for bad planning decisions. In that case, they had to incur the cost of taking on that basic provincial responsibility, if you want to say that.

Mr. McKessock: The people in the Niagara Escarpment area are willing to accept those costs, the same as everybody else in Ontario, but it is these special costs that are put on because of the special plans, controls and regulations within the area that you are calling one of special provincial interest; so this is a specific area.

Hon. Mr. Sterling: As I have said, Mr. McKessock, they do not have to take it on.

Mr. McKessock: It will be interesting to see how many do take it on.

Hon. Mr. Sterling: I think a lot of them are satisfied with the work the commission is doing, in spite of the griping. I know that in your area, for instance, a lot of your neighbours were very pleased with the Niagara Escarpment Commission's decisions with regard to permits for people

who wanted to do certain things in the area that turned out to be very undesirable.

Mr. McKessock: There must be a lot of neighbours up there I do not know.

That leads me into another area. Mr. Miller mentioned the development. I wonder how long it will be before you realize you have made a mistake, or change your mind, on the Epping Commons development?

Mr. Chairman: With respect, Mr. McKessock, I wonder if we are not getting into specific areas. We should be trying to respond to the minister's opening statement instead of getting into a specific area.

Mr. McKessock: I am responding, on the Niagara Escarpment.

Mr. Chairman: Yes, I know.

Mr. McKessock: He mentioned this in his opening statement.

Mr. Chairman: That was just an overview of it; with respect, I think you are getting into specific problems dealing with the Niagara Escarpment.

Mr. McKessock: I will not be very long. How long will you give me?

Mr. Chairman: I am not going to put a time limit on it. We are here for five hours. With respect, we are going to stick to opening statements tonight and get into the freedom of information question, if the members so wish. Then we will reserve the next session specifically to have the Niagara Escarpment Commission represented here.

Mr. McKessock: I am not going to be able to be here next Tuesday night; so I would like to finish what I started to say.

Mr. Chairman: So you can get your shots in now? Okay.

Mr. McKessock: I want to talk a bit about that Epping Commons area. It is a weed-infested area on the side of the hill where any kind of development would add to the area. Have you walked through the area?

Hon. Mr. Sterling: Yes.

9:10 p.m.

Mr. McKessock: You know what I am talking about then.

Hon. Mr. Sterling: I did not see as many weeds as you have seen.

Mr. McKessock: I did not count them, but it is an area right at the ski hills, as you know. That area has been called a four seasons recreational area by this government, and if that is the case

then we have to provide accommodation for the skiers. I know it has been mentioned that within the plan there are areas that can be developed, but they are 15 miles away from the ski hills. That is not what they want. They want to come up there and be able to ski out of their doors on to the hills. There is not much use allowing skiing on the hills if you do not also allow accommodation on the hills.

You talked about the native people, and I did not realize this was part of your responsibility. I think self-governing by the native people certainly would be a step in the right direction, because I do not feel we are doing a very good job of integrating them into our system.

This summer when I was on the task force for the justice system in correctional institutions and visited the correctional institution at Monteith, I found that 30 to 40 per cent of the inmates were native people, and there was not one native person on staff at that correctional institution. To me this was a glaring mistake. Naturally, the native people would respond to and communicate better with their own kind. I just wanted to draw that to your attention.

If you want to start somewhere immediately—and this kept bouncing back to me when you were telling us about all the committees you had sat on, I was thinking it was time you stopped sitting and did something on some of these issues—you could start by seeing that some native people are put on staff in these correctional institutions where they have native people.

I was disturbed that you as the Provincial Secretary for Resources Development did not mention agriculture at all in your opening statement, and this comes under your policy field.

Hon. Mr. Sterling: I did mention soil erosion.

Mr. McKessock: Good for you. Soil erosion is not the problem the farmers have now.

Mr. Stokes: It is in some places. He did not mention mining or forestry either.

Mr. McKessock: I know that in past years in these estimates we have talked about agriculture extensively. That is our biggest problem.

Mr. Wildman: Because the minister wishes he were minister of agriculture.

Mr. McKessock: The biggest problem with agriculture in Ontario is that it is overlooked. When you look at the—

Hon. Mr. Sterling: I represent 10 ministries and if I said something about each and every one of them—well. My job is to co-ordinate the

activity between one and the other. I did mention the Canadian council of Resource and Environment Ministers and my desire to involve various ministries on that particular matter. You may not think soil erosion is a big problem with the farming community but I can assure you that you are dead wrong.

Mr. McKessock: I did not say it was not a problem. I say it is not the most important one right now.

Hon. Mr. Sterling: I tell you it is very important on a longer-term basis. Our farmers are losing something like \$65 million a year.

Mr. McKessock: Do you know how many farmers we are losing a year?

Hon. Mr. Sterling: I do not know how many farmers we are losing right now and I do not want to debate it. If you want me to talk about Ontario Hydro, sewer and water problems, highways—you know, I have a job to co-ordinate each and every one of them. I represent a riding that has many farmers in it, and I know how important they are. However, because I did not dwell on agriculture, please do not accuse me of thinking it is any less important than any of the other nine ministries in my policy field.

Mr. McKessock: I am glad to hear that you think it is important. I am just going to try to point out a couple of things to you, to make you see how important it really is. The eroding of our farmers is the big issue right now, rather than the eroding of our land.

I have a short letter here, a letter sent to the Minister of Agriculture and Food (Mr. Timbrell), of which I received a copy. I think it spells out the problems pretty plainly from a farmer's standpoint and I would like to read it to you. This is October 16, 1984, so it is current.

"Dear Mr. Timbrell: Yesterday I took my husband's application to Markdale for your beef cattle development program. According to this plan he has to join a club, weigh the cattle and become more efficient. I am enclosing a page from Farm and Country which I would like you to read, especially the article, 'Money Flows to Beef.'

"We shipped a load of heifers today. They went for \$1.39 a pound, dressed. If they dressed 570 pounds each, it will bring \$792.30 per head. If we shipped those cattle to Manitoba and they brought \$1.675 per pound, dressed, they would be worth \$954.75 per head. The difference is \$162.45 per head. On our load, that would be an extra \$2,436.75.

"We ship about 420 head per year and the extra would be \$68,229. That would really be nice. It could go towards our bank loans and we could fix our holding pen, and you could keep your \$1,500 because we would not need it." She is talking about the \$1,500 capital grant which you get if you join this beef club, for becoming more efficient.

"We could even hire a man, which would reduce unemployment, and we could do something instead of working seven days a week, 52 weeks a year. I really do not think it is a question of the farmers becoming more efficient. It seems to be more of a question of provincial government policy.

"Your plan will certainly make more work for the already overworked farmer and will give extra work in the agricultural offices." I can attest to that, because I know they have bought 40 new scales to go around and weigh these calves. Then there is a co-ordinator in each of the Ministry of Agriculture and Food offices. The letter continues: "But unless we have fair prices all across the country, it will not do anything for the Ontario farmer."

What is being pointed out here is what I mentioned: the lack of concern in Ontario for the farmer, while in Manitoba that same farmer could make \$68,000 more a year.

Mr. Wildman: They have a New Democratic Party government there.

Mr. McKessock: She is pointing out that it is not a matter of efficiency. To become more efficient in Ontario, you are going to give him \$1,500. Without the program, in Manitoba the farmer is getting \$68,000 more. That is certainly the difference between profit and loss, going bankrupt or staying on the farm.

There is nothing wrong with the minister's beef cattle development program. There is nothing wrong with it. I belong to it myself. It will certainly make the farmers more efficient. The farmers who are left in Ontario will be more efficient, but a lot of them are not going to be there. There will not be enough of them left pretty soon. Of course, Manitoba will ship the meat in, and the food for us to eat, and we will never go hungry. Quebec will do likewise.

9:20 p.m.

So it is a concern that I think not only you as Provincial Secretary for Resources Development should be talking about, but also the Treasurer (Mr. Grossman) and the Premier. It should be more at the forefront here in Ontario and we should be holding on to all the farmers we have

left in Ontario now, because it is more important to Ontario than I think you realize.

As long as people get lots to eat, they do not seem to worry about agriculture. The time is not going to come when you are going to run out of food, but you are going to run out of farmers, and the agriculture business in Ontario creates more than food. It creates jobs. One job in every five is related to agriculture in Ontario. So you are going to lose jobs as well as farmers, and we will be importing more food.

There is another article here that I can show you. Quebec is subsidized as well as Manitoba, and, of course, Saskatchewan is in the same situation. We cannot compete with that. Sure, it is nice when I take my calves to the large sale and the Quebec buyers pay a big price for them, but the poor Ontario feedlot guy cannot compete. It is just a merry-go-round that we should not be on.

I do not agree with paying subsidies if nobody else is paying them. Unfortunately, however, this government's attitude is that it is not right to pay subsidies, so we are not going to pay them and we are going to try to get all the other provinces to stop. That is fine, but we should be doing it the other way around. We should be saying that subsidies are not right, but if the other provinces are going to pay them, then we are going pay them at the same time, and we will try to get us all to stop together.

The way we are doing it, though, the Ontario farmer is the loser and eventually the whole population of Ontario is going to be the loser. I will leave it at that.

Hon. Mr. Sterling: I know the red meat producers are having a very difficult time. I thank you for your positive comments on the Ministry of Agriculture and Food's program in the red meat sector in terms of this improvement to the quality of animal that we have in Ontario, because I think it is very important. The quality of our beef stock has probably not been as good as it could be. I think it is a very positive program.

The other day, I read that in spite of the fact that both Manitoba and Quebec have subsidy programs—which I can tell you are played around with considerably in eastern Ontario, with a lot of cattle going back and forth across the border—it is rather odd, that the bankruptcy rate, in terms of beef producers, is much greater both in Manitoba and Quebec than it is in Ontario.

This is something that I guess leads one to believe—

Mr. McKessock: Are you talking about percentages?

Hon. Mr. Sterling: I am talking about true numbers.

Mr. McKessock: Oh, true numbers.

Hon. Mr. Sterling: Per beef producer and I wish I did have the answer to the problem.

Mr. McKessock: The other provinces seem to have the answer. No matter how good a program you have—

Hon. Mr. Sterling: They also have much larger deficits per capita than this province.

Mr. McKessock: Is that supposed to be the farmer's problem?

Hon. Mr. Sterling: It is a problem for all of us.

Mr. McKessock: That is right. It is a problem for all of us. But why should the farmer be the one who suffers from this debt that you keep going into every year?

Hon. Mr. Sterling: Neither Quebec nor Manitoba has found the answer in terms of providing subsidies, because their industries still have problems; their producers still have problems.

Mr. McKessock: This fellow said that if he were in Manitoba, his yearly shipments would bring him \$68,000 more a year. If the guy in Manitoba is having problems, what kind of problem do you think the guy in Ontario is having? It is \$68,000 worse, I can tell you that. A farmer in the cow-calf business in Quebec gets \$19,000 a year from the government if he has 100 beef cows. If he breaks even on his cow-calf operation, he has his living from the government.

That may not be the right way to do it, but if the other provinces are going to do it, and we want to protect agriculture in Ontario, we have to do the same thing. If we can get them all to stop together, great, but let us not sit back and let our farmers take the brunt of it while it is happening.

Hon. Mr. Sterling: You also know that the pricing is not just set by other provinces. There is a great deal of red meat crossing our international border.

Mr. McGuigan: Yes, but it goes out, too, to the American market.

Hon. Mr. Sterling: Oh, I know.

Mr. McGuigan: We export more than we import.

Hon. Mr. Sterling: In order to be able to do that, you cannot sell at a higher price.

Mr. Wildman: Is it not the case that if there is not a tripartite program in effect this fall, we will

be seeing a provincial one? If that is not the case, then it should be.

Hon. Mr. Sterling: I think the Minister of Agriculture and Food has been very much involved in trying to push the stabilization program.

Mr. McKessock: We have heard this for two years now.

Mr. Wildman: He has promised it for a couple of years.

Hon. Mr. Sterling: It has not been for his lack of trying. It was your colleagues in Ottawa who kept putting the—

Mr. McKessock: All we are saying is that the minister should be doing the same as the other provincial ministers of agriculture are doing, until something is worked out federally.

Hon. Mr. Sterling: I think you should lodge that suggestion with the Minister of Agriculture and Food.

Mr. McKessock: When we talk about who held it up, that was one of the items in the dying days of Parliament and it was your boys who held it up.

Hon. Mr. Sterling: There were a lot of things dying on the agenda.

Mr. McKessock: It is changed now, so let us get at it.

Mr. Chairman: I understand there is a meeting of provincial ministers of agriculture coming up in the next couple of weeks. We are still trying to get the response to the opening statement. You will have to swing over to the side of the table there.

Mr. Wildman: Mr. Chairman, I will be brief. There are a number of things I would like to raise in response to what the minister said and in relation to some concerns I have with this policy field. The member for Nickel Belt (Mr. Laughren) will be raising some concerns as well.

I was interested in the minister's comments about the whole concept of co-ordinating policy in the secretariat and his view that any political minister should have some on-line responsibility. Perhaps from his own personal point of view it would be better to have a greater involvement in that way and have the co-ordinating of policy as—I know he did not say “an adjunct,” but something—an addition to that.

I find that interesting. It would seem to me that if the executive council were organized in such a way, such a ministry would have to be held by a senior minister. I echo the comments of my

colleague, the member for Lake Nipigon (Mr. Stokes) about the minister and his work.

9:30 p.m.

I would say that in the approach to co-ordination of policy as I have seen it in the few years I have been around here, it seems the kind of individual—not so much the individual; that is not the right way to put it—the resources put into the secretariat and various secretariats, not just this one, tend to indicate they are not seen in this cabinet as the superministries you have in the British cabinet, for instance, or even in the Quebec cabinet, or what appears to be evolving now in Ottawa with the new government and a very expanded executive there, with an inner cabinet, apparently somewhat along the British lines.

I would be interested in hearing the minister's comments on that. But before he responds, I would like to deal with some of the pot-pourri of things that have been—for want of a better term—dumped into this secretariat.

My Liberal colleague made some comments about the Niagara Escarpment Commission. I will not go into great length about that. I am sure my colleague the member for Welland-Thorold (Mr. Swart) will be interested and involved in that debate next week in the estimates.

I would express a rather different concern from that of Mr. McKessock. I want to deal with the thrust of the comments of the Minister of Natural Resources (Mr. Pope) with regard to planning for the aggregate resources in this province and how that relates to the Niagara Escarpment Commission. I do not mean to ignore the gentleman who is here to deal with freedom of information; I am not attempting to snub him in any way.

I would like to know what input, if any, this secretariat had in its role as a co-ordinator for policy into the whole issue of the aggregate policy that is being developed by the Ministry of Natural Resources and how that relates, not only to the Niagara Escarpment but also to planning in general across the province.

The thrust of that approach seems to be the need to ensure—and I know this is an important issue—the availability of aggregate close to large urban centres, which on the surface seems to be at variance with the comments in the minister's text about his concerns for conservation. I would like to hear some comments about that.

Another area of my concern with regard to the Ministry of Natural Resources and its input into planning in this province is the wetlands policy, which is being developed by the Ministry of Natural Resources and has been announced.

Obviously we have seriously competing demands with regards to wetlands in this province. On one side, there is the desire of farmers to make their property more productive and the desire of the Ministry of Agriculture and Food to ensure that we have drainage programs.

On the other side of the coin, there is the need to preserve habitat for waterfowl and to ensure we do not come to the point where, at least in southern Ontario, we have endangered some species that are dependent on the existence of wetlands.

I understand we are at the point now where only 13 per cent of the wetlands that were once existent in southern Ontario are still in their natural state. If that is the case, I am not sure the whole approach to a wetlands policy announced by the Minister of Natural Resources is one that will ensure we have the preservation of a very important resource. I say it is a resource because that is what it is, in my view.

This interferes, as we all know, with what are considered private property rights. That is unlike northern Ontario, the part of the province I represent, where most of the wetlands in the north, although not all, are crown-owned and it is a different situation.

Mr. J. A. Reed: Are you defending private property rights?

Mr. Wildman: No. I am talking about conflicting interests.

Mr. J. A. Reed: I wondered if you were defending them, because it was a wondrous revelation that the New Democratic Party would be defending private property rights.

Mr. Wildman: For you that probably would be a wondrous revelation, because you have so little understanding of the economic policy of any party.

Mr. J. A. Reed: That may be quite true. I would be the last person—

Mr. Chairman: Let us address remarks through the chair.

Mr. J. A. Reed: It was the NDP that had private property rights stricken from the Constitution in negotiations with the Liberals federally.

Mr. Chairman: Yes, but that does not really fall under the jurisdiction of the Provincial Secretariat for Resources Development in Ontario.

Mr. J. A. Reed: I heard that expression and I could not leave it alone.

Mr. Wildman: If I might respond, there are a couple of things to be said about that.

Mr. Stokes: The NDP struck it from the Constitution?

Mr. J. A. Reed: Sure. They negotiated it with the Liberals and said, "We will not support the Constitution"—

Mr. Chairman: Gentlemen, let us get back to these estimates.

Mr. Wildman: Let me respond to that. It is interesting that in the British Columbia Legislature, a resolution was introduced by a New Democratic Party MLA on private property. It is also interesting that this Liberal member would think that with a majority government in Ottawa, the NDP was able to force that Liberal majority to acquiesce to something—

Mr. J. A. Reed: It certainly needed a consensus.

Mr. Wildman: I also indicate through the chair it is interesting that in that debate it was not only the New Democrats but also a number of bureaucrats in the federal government who were concerned about what the all-encompassing provision of property rights might mean for government's rights, on behalf of the majority of the taxpayers and citizens, to expropriate property for things such as highways and other public services that would benefit the majority.

Mr. Chairman: I give two points for each side. Now we are even. Let us get back to your remarks.

Mr. Wildman: At any rate, I hope all of us are interested in dealing with the concerns of people who are interested in developing their own property for their own wellbeing and the competing demands of the provincial interest to deal with that.

My concern about the approach of the Minister of Natural Resources is that he does not seem to be as concerned as he might be with the preservation of a vital resource for southern Ontario and for the whole province. I wonder what this minister, as a co-ordinator of policy, has done and what input he has had with regard to the competing demands of the Ministry of Agriculture and Food and those people within the Ministry of Natural Resources who are concerned with this issue.

That also applies, as a matter of fact, to the whole issue of aggregates, which I mentioned earlier. Obviously, not only are the people on the opposite side of the argument conservationists regarding aggregate but also they are the people in the Ministry of Agriculture and Food who are concerned about preserving agricultural land from the demands of the aggregate industry.

I know my friend the member for Halton-Burlington (Mr. J. A. Reed) has some concerns about private property rights as they relate to aggregate development.

Mr. J. A. Reed: Yes. I hope you are on our side.

Mr. Stokes: It is hard to figure out which side you are on.

Mr. J. A. Reed: It is not hard with me, Jack. You should know that.

9:40 p.m.

Mr. Wildman: There are a number of other things I want to mention. In passing, I think the approach of the minister with regard to the omnibus bill is an interesting one and one that I hope will be useful for us around here, when that bill comes forward in the House, as a way of dealing with things that are noncontroversial so they can be dealt with in an expeditious way.

I hope the approach works well so that if there are matters in the whole bill that are recognized by one or more parties in the House as being controversial, they can be withdrawn so we can get the rest of it through. That might be an example to other policy fields as a way of avoiding the line ministers or their parliamentary assistants having to spend a lot of time, along with the critics, in dealing with those kinds of noncontroversial items.

I notice that in his presentation the minister did not say anything about or concentrate much on acid rain, which I think is a very important issue. I accept his comments in response to my colleague from the Liberal Party, in that he could hardly be expected to speak about every ministry that comes within the policy field if he wanted to keep his remarks to any reasonable length. However, an issue such as acid rain cuts across a number of the ministries in the policy field, obviously involving the Ministry of the Environment, the Ministry of Natural Resources, the Ministry of Agriculture and Food and the Ministry of Energy. I suppose one could even argue that it involves the Ministry of Industry and Trade.

The acid rain issue is also related to other provincial jurisdictions, the federal jurisdiction and our relationship with the United States. I would think that would be one issue this minister would have a great deal to say about and would be central to his concerns. Obviously, to those in northern Ontario and parts of the province that are dependent on tourism and forestry as major industries, and more and more to those in areas where agriculture is important, this is a serious

issue. I would like to know what the government sees as our present stance.

I know the government has said that Ontario Hydro is going to cut its emissions by 50 per cent, that it is a leader in the field and that we are the ones who have pressed and made this an issue in North America. There has been a lot of talk about acid rain, and that has been helpful to an extent. However, from our point of view, the Ministry of Energy and Ontario Hydro are not moving nearly as fast as we think they should.

What is the stance of the government right now? Are we basically waiting for the few weeks left in the American election campaign? Are we accepting the position taken by the current administration in the United States that there is a need for more study and that until more study is completed we will not see any significant movement towards an international agreement?

What is our relationship with the federal government in attempting to move the Americans from their position because it is not, from a Canadian and Ontario point of view, an acceptable position? While more study would be beneficial, and no one debates that, it is inadequate to say we must have more study before any action is taken on cutting American emissions.

I would also like to know what the position of the provincial government is with regard to automobile emissions, which contribute to acid rain. The Americans have been able to say that their controls on auto emissions are greater than Canadian controls. However, even with those more stringent controls, their emissions amount to a great deal more than ours because of the size of the population and so on.

Hon. Mr. Sterling: If I may interrupt just briefly, I would like to define my role as the provincial secretary because it was discussed at the Canadian Council of Resource and Environment Ministers.

Basically what happens with respect to my responsibility in picking an issue up and carrying it is that if a line minister assumes the responsibility to be the lead player, then my role immediately evaporates, so to speak, other than if my ministry is used as a focus to get a group of people together. For instance, we in my ministry are involved in land use issues, which cross over various ministries; that is something in which I have more interest.

The acid rain question has become housed within the Ministry of the Environment, and your questions about the whole thrust in that area would therefore be more appropriately directed

to that minister. You might say, "You are Provincial Secretary for Resources Development and you should know something about everything."

Mr. Wildman: I understand what the minister is saying, and I do not want to prolong this if it is something he thinks would be more appropriate in another ministry's estimates. However, this raises the concern that my colleague the member for Lake Nipigon noted at the beginning, to which you responded, about the role of a policy co-ordinator and a secretariat.

I am using acid rain as an example. I am not going to belabour it, but it is an example of a particular issue that involves most of the ministries in your policy field. Basically what you are saying is that if a particular minister—in this case the Minister of the Environment, who obviously has a major concern on that issue—takes the lead, then you are not directly responsible or you are involved only in something he brings to the policy field for discussion of whether you were going to bring in legislation or regulation that would affect other ministries.

I wonder whether that is what we should be doing or whether it might be a better approach to have a senior minister who is going to co-ordinate and ensure that the ministries within the policy field are not working at cross-purposes; to ensure, for instance, that the Ministry of Energy, since it is responsible for Ontario Hydro, is responding adequately to what the Ministry of the Environment wants done on the acid rain issue.

Hon. Mr. Sterling: Anything that would deal with policy associated with acid rain would come through the policy field and would therefore be dealt with at that level. But there are many subjects of concern that do cross ministry boundaries. In a lot of cases the co-ordination, either through our offices or through its own offices, is able to handle it and does not need our offices to deal with that particular matter.

In the case of acid rain—I do not know whether it was agreed formally before I got involved with the resources secretariat; I am getting nods in the background—but it was an issue which, because it crossed several boundaries, we agreed that the Ministry of the Environment would have carriage of. There are some good reasons for that. There are programs associated with that, and the Ministry of the Environment is better able than I am to deliver a program because there is testing, measuring and those kinds of things going on.

9:50 p.m.

Sometimes it is better to take a line minister with the delivery capability and give him the carriage of a certain item. I am just saying that in all cases it may not make sense to the outside observer that the Ministry of the Environment has carriage of that, but sometimes it just happens because of personality or the particular program into which they are entering. I suspect that was the case here.

Mr. Wildman: I will accept that. Nobody questions that the Ministry of the Environment should be very much involved, and it makes sense that they should take the lead in the acid rain issue. If that is the case, can you explain why, on pages 4 and 5 of your briefing notes for the estimates, dealing with the cabinet committee on resources development, under the heading "Environment," you are dealing with Toronto beaches water quality improvement? Will you explain that?

Hon. Mr. Sterling: That was something that the cabinet committee on resources development dealt with in a policy proposal brought forward by the Ministry of the Environment last year. When they were bringing that policy forward, my secretariat analysed the policy and dealt with any of the conflicts that might have existed between the various ministries involved, probably the Ministry of Municipal Affairs and Housing, maybe even the Ministry of Intergovernmental Affairs because federal financing was involved in that, as I recall.

Again, though, the water quality question in that area was one for carriage by the Ministry of the Environment.

Mr. Wildman: Am I reading too much into it, or would this indicate that if things are not listed here—things that I might think would be, such as acid rain—there were no policy questions on those subjects brought forward for discussion or debate by the cabinet committee during the year?

Hon. Mr. Sterling: I do not know whether we dealt with acid rain in the past year or not. I do not recall.

Mr. Wildman: I notice you did deal with wetlands; so you can respond to that.

Hon. Mr. Sterling: What I am trying to indicate is this. There was an issue in terms of the Young Offenders Act which was falling between the cracks. As the Provincial Secretary for Justice I went in and filled the function of trying to grapple with that issue for the Justice secretariat.

Other than the three assigned areas that I have under my responsibility—native affairs, the es-

carpment and access and privacy of information as well as land-use issues to some degree—you will find most of the other resource issues reside in a line ministry or are split between various ministries. Therefore, those ministers have more carriage of those things than I would.

Mr. Wildman: I understand what you are saying, but can you explain why the wetlands issue was dealt with by the committee but aggregate is not?

Hon. Mr. Sterling: The wetlands issue was brought before the cabinet committee in the spring of last year, sometime before it was announced, but the aggregate policy has not come in front of the cabinet committee yet.

Mr. Wildman: But it would?

Hon. Mr. Sterling: It would.

Mr. Wildman: I see. All right. I want to turn now to—

Hon. Mr. Sterling: It is hard to understand unless you are sitting in on it as well, and that is why I think, as I indicated before, there should be some restructuring.

Mr. McKessock: Did you say it was you who split the Young Offenders Act, half to go into the Ministry of Correctional Services and half to the Ministry of Community and Social Services?

Hon. Mr. Sterling: That is the way it was, and because of the situation and the fact that it was coming on stream, I saw, as provincial secretary, that to get things moving I should pick it up and pressure the various ministries involved in it—Attorney General, Solicitor General, Correctional Services and Community and Social Services—to get negotiations going with the feds. There was a void there in terms of somebody tying it together.

Mr. McKessock: Why did you not tie it together the same way it was?

Mr. Chairman: That is really out of order.

Mr. Wildman: I would like to turn now to the question of your responsibility with regard to Indian affairs. I am particularly interested in this government's response to the issue of aboriginal rights as it relates to Indian self-government.

I might say most of us who have interest in this particular area were very happy about the work of the select committee at the federal level under Keith Penner, who actually was, you might say, at the opening of the Nishnawbe-Aski today. I noticed Ms. Clapp there and my colleague the member for Lake Nipigon.

We were very happy to see that committee's report and very happy to see it was based on a

consensus of all three political parties represented on the committee at the federal level. They worked very hard and it was a committee that for the first time, interestingly, had on it not just members of Parliament, but also representatives from some of the Indian organizations. They actually participated as members of the committee.

Hon. Mr. Sterling: Yes, it was different.

Mr. Wildman: Yes, it was a very unusual type of thing. It created a great deal of interest across the country and came out with a very good and very interesting report and recommendation.

Hon. Mr. Sterling: Yes.

Mr. Wildman: I think it was met with general acceptance from people on all sides of the issue.

I have here the response of the former federal Minister of Indian Affairs and Northern Development, the government response to the special committee on Indian self-government, which deals with the federal government's attitude. He said the federal government agrees with the committee that Indian communities were historically self-governing and the gradual erosion of self-government over time has resulted in a situation that benefits neither Indian people nor Canadians in general.

I am interested in that kind of response and how it relates to the Ontario government's position with regard to the Indians' argument that self-government is an aboriginal right. We can hardly argue that historically Indian people did not govern themselves.

Various Indian groups in North America had developed various kinds of government prior to the arrival of the Europeans. Some were somewhat rudimentary; others were very sophisticated and well developed. The best example, I suppose, or the most well known is the Six Nations and—

Hon. Mr. Sterling: The longhouse.

Mr. Wildman: Yes. The kind of democracy by consensus that was developed there had a lot to do with the development of the early American constitution. A lot of the government institutions were shaped by that, as they were by the European background. You cannot argue, and I do not think you would, that Indian people did not have government institutions. They were there and they were of different types across North America, but they existed.

After I am finished, I would like to get a little more clarification from the minister on the provincial government's position on the question of self-government as a right.

10 p.m.

Hon. Mr. Sterling: The Premier is very clear about the fact that in the constitutional discussions he was willing to entrench it as a right and outline some principles in terms of working out the details. Ontario was in a minority among the provinces and, therefore, that particular principle did not carry.

It is funny—I should not say “funny”—it is odd—

Mr. Stokes: Curious.

Mr. McGuigan: Ironic.

Hon. Mr. Sterling:—curious that you ask whether it is a right. I ask in a rhetorical way how relevant is the question to the ultimate goal. In all the discussions in which I have participated with the Premier and the various Indian leaders in the past year, they never asked that question. I do not think the answer settles anything. It is not relevant in the context of time.

Mr. Stokes: It is, with great respect. There are a lot of people out there who think they should be integrated or assimilated and any notion of Indian self-government should be discarded out of hand.

Hon. Mr. Sterling: Whether our government said it was a right or not, it is in some ways a legal question, so-called. Once you say it is a right, then does it follow you have any constitutional need to entrench it?

Mr. Wildman: I do not want to get involved in a legalistic argument.

Mr. Stokes: It is not a legalistic argument at all, with great respect.

Hon. Mr. Sterling: It is.

Mr. Stokes: It is a political question. There are a lot of people out there who feel there should not be any recognition of two official languages in Canada. There is a very strong body of opinion out there that feels there are not two public school systems enshrined in the British North America Act. That is a reality. It is not just a legal question; it is a political question. That is why it is very appropriate that my colleague mentions that. There were recognized forms of government long before your ancestors and mine ever appeared upon the scene.

Mr. Wildman: I do not debate that it is a legal argument, but it is also a political argument. If you recognize the right of government, then you get away from the kinds of comments that were made earlier in this committee about our efforts to integrate. You also have to conclude that if there is a right to self-government, there must also be a right to the resources to enable

self-government to operate. It is elementary that if you have government you must also have the resources with which to carry on government.

Mr. Stokes: Your Premier says that in the statement you read, your opening statement.

Mr. Wildman: That is right.

Hon. Mr. Sterling: Our Premier said there is a right to self-government.

Mr. Stokes: And the necessary resources to go with it.

Mr. Wildman: Yes, I want to get to that.

Hon. Mr. Sterling: He is willing to put that in the Constitution. Whether that right exists outside the Constitution is, I submit, a legal question.

Mr. Wildman: Without getting into that legal argument, if you accept that there is the right or the need, let us put it that way, for the development of Indian self-government, in order for that to have any real meaning you have to deal with the question of resources.

You did indicate the problems in dealing with the question of land base. Obviously, for Indian bands that have reserves there is a land base. In many cases that land base is not adequate because when the reserves were reserved for the Indians in those particular bands, the bands were smaller or the resources that were needed were adequate, but those resources have been depleted and so on.

There is the even more difficult question, as you indicated, of Metis and nonstatus Indian people in this province particularly, whereas in some of the western provinces the Metis people have some sort of land base. The question of legal ownership may have to be resolved, but they have some land base. In many cases it is not as clear in Ontario and it is a more difficult thing to deal with.

I would like to know what kind of commitment this provincial government is prepared to make. In response to this, the federal government has said it is going to deal with the question of resources. They have also said there is a need for provincial involvement. They have said, for instance, that the federal and provincial governments must divest themselves of the interests in Indian lands and resources in favour of Indian control and expansion of or access to economic benefits arising therefrom.

What is this provincial government's response to that federal position put forward by the former Minister of Indian Affairs and Northern Development? Does this government agree that this provincial government is willing and prepared to divest itself of interests it has in Indian lands and

resources and the economic benefits therefrom? If this government is prepared to do that, what does that do to the ongoing arguments over the 1924 land agreement?

Hon. Mr. Sterling: We have said quite clearly that report deals with status Indians.

Mr. Wildman: Yes, and so does the 1924 land agreement.

Hon. Mr. Sterling: A responsibility of the federal government is to pay for land it wants to make reserves.

Mr. Wildman: What does that do to the provincial government's argument that it must have some share in the benefits of the development of resources on Indian land, which is part of that whole argument over the 1924 land agreement? Are you prepared to give that up?

Hon. Mr. Sterling: We are prepared to give it up if—

Mr. Wildman: If you get compensation?

Hon. Mr. Sterling: No, but if there is some kind of bargain struck with respect to their agreement with respect to surrendered land and any claims thereon.

Mr. Stokes: Say that again.

Mr. Wildman: What does that mean?

Hon. Mr. Sterling: There is surrendered land, evidently, throughout this province, where there is some legal question as to who owns the river bed or whatever.

Mr. Wildman: Yes, I am sure there are lots of those issues.

Hon. Mr. Sterling: There may be some question of who owns the road where it has never been patented or there has never been any deed. Our legal position is that the land or the minerals underneath the reserve are still owned by the province.

Mr. Stokes: That is what the 1924 land agreement says.

Hon. Mr. Sterling: Yes. That is the legal position. We have to go from that particular position in respect to negotiations.

Mr. Stokes: It also says you may develop them if 50 per cent of the revenues go to the province.

Mr. Wildman: That is right. That is what it said. Are you prepared to give up that 50 per cent?

Hon. Mr. Sterling: We are if a bargain is struck. We have said that to the group. We must bargain in good faith because it is an asset of the

province and we want to clear up these old problems.

Mr. Wildman: Honestly, I am not trying to read too much into what you are saying, but what you seem to be saying to me is, "We have all these problems with arguments over who owns pockets of unsundered land all over the place. We also have the argument over the question of resources on reserves. Maybe we can negotiate the two."

The problem with that point of view is that I think the Indians would basically say that from their point of view, and I am not trying to speak for them, you are trying to negotiate something on both sides that they already own. Why should they give you anything? They own the unsundered lands and they say you do not have any right to the resources underneath the reserves. They already own it. They say you are the interloper.

10:10 p.m.

Mr. J. A. Reed: On a point of order, Mr. Chairman: I do not want to deliberately interrupt a very interesting discussion except that it is 10:10 p.m. and the member for Grey (Mr. McKessock) pointed out to me that he was cut off. Are you allocating time or do the parties get a—

Mr. Wildman: We did not cut him off.

Mr. Stokes: He was not cut off.

Mr. McKessock: I was cut off halfway through. I told the chair I would not be very long and I was allowed to continue.

Mr. Wildman: All right. You were allowed to continue.

Mr. McKessock: I did not continue for three quarters of an hour.

Mr. J. A. Reed: I have been advised there may be an inequitable—

Mr. Wildman: I will finish in five minutes.

Mr. Chairman: I think the minister wants to respond to the questions that have been raised. I did not keep track of the time, but I do not think Mr. Wildman started until some time around 9:30 p.m. or 9:45 p.m., and the rest of the time—

Mr. McKessock: That is longer than I was on.

Mr. Wildman: I will finish up quickly.

Mr. Chairman: It seems to me it is fairly even.

Mr. Stokes: The member for Grey was trying to introduce something dealing with child welfare.

Mr. J. A. Reed: Moving right along, Mr. Chairman.

Mr. Wildman: With regard to Indian self-government, I would like to comment on the provision of services and the control over those services. I recognize the moves that have been made by the provincial government with regard to child welfare with some of the bands and tribal councils in some parts of the province.

I am also interested in the effectiveness of the proposals that have been made with regard to Indian child welfare in off-reserve settings, how the inclusion of Indian representatives on committees to talk about particular placements will work and what input this secretariat has had in that.

With regard to Indian education, I think it is very important for this secretariat to take a position, if it has not yet done so, on the question of Indian control of on-reserve education where it is desired. Obviously, this has serious repercussions for some public boards of education.

If Indian children are moved into schools on reserves, with control of that education going to the band as some bands wish, that could have some serious effect. The Department of Indian Affairs and Northern Development is now making a contribution to the education of those children and that could affect the local board.

I recognize what has been done with at least the announcement by the Minister of Education (Miss Stephenson) about Indian languages as a second language and I welcome that move, but what about actual control of Indian education by Indian bands where they desire it? What is the position of this government? What moves or measures will be taken by the government to facilitate that and at the same time assist the local boards that might be affected?

There are other issues I could raise, but since my colleague the member for Halton-Burlington wants to talk about the limitation of property rights with regard to aggregate development, I will pass for now, with just one other question.

I want to make one short comment with regard to the tripartite process for resolving issues relating to the native people of this province. Some people would suggest that process is a dumping ground, that issues which cannot be resolved or which the bureaucracy perhaps does not want to have resolved quickly get moved to the tripartite process that seems to go on for ever without resolution.

Perhaps that process could be speeded up and streamlined and perhaps something could be done to assist in doing that. I would like to know

what is being done in that area, what is being contemplated, what is the role of Mr. Justice Hartt in all of this? Is he going to continue in this role or is he contemplating moving back to his former responsibilities and leaving it to someone new?

Mr. Chairman: Would the minister like to respond to those questions?

Hon. Mr. Sterling: Yes. With regard to the child welfare situation and the involvement my ministry has had in it in relation to off-reserve nonstatus, status and Metis, I actually met with the Ontario Metis and Non-Status Indian Association last week or the week before in the Sault, and it raised this issue as well.

The secretariat actually changed the enabling legislation before it got into the Legislature to allow the situation to include off-reserve natives. The definitions have changed. The original legislation talked about "Indians," referring to status Indians in that case, and through my intervention it actually was changed before it got there to allow for this kind of situation. I am currently having discussions with the minister to try to put it into some kind of practical context in order either to allow them to participate in the existing committees that have been set up or for us to create another one.

The confusion that reigns over native affairs in general in Ontario and in Canada is that you are dealing with so many different classes of aboriginal people, or natives, which I use as the generic term. It is difficult to provide structures that will work for all of them. As you know, there is conflict within each group, each group wants more control over the other and groups are jealous of the powers that are given to one another.

I have tried to make certain that our focus in a provincial manner is more towards the off-reserve native than towards the on-reserve native. I hope I will be able to sit down with the minister in Ottawa and say: "Okay, let us get it straight between you and me. Where is your focus? What are you going to do? What can we do?"

We spend about \$90 million a year on status Indians and we do not spend very much on the Metis—there are very few Inuit, as you know—or the nonstatus. In my view the province's role should be concerned more with this group than with the other group; but, as you know, in the political organizations as they are now structured, the status Indians are much stronger in their organizational ability—I think partially because they have land bases from which to

operate—and therefore my secretariat is always trying to inject this other point of view with respect to what we are doing.

We had a very active role in changing that act. I was involved in it personally, because sitting on the legislation committee I see all the legislation that comes forward. We did amend it, so we do have the ability to do it.

10:20 p.m.

With respect to education and its control by Indian bands, I just have not dealt with that issue at this time, to be perfectly honest with you. It is something that is another step towards a practical implication of self-government that we will have to look at.

Mr. Stokes: Precisely.

Hon. Mr. Sterling: It naturally flows from that.

Mr. Stokes: That is right, yes.

Hon. Mr. Sterling: I would look forward very much to trying to achieve that goal in some way. It is a training process with them as well, so that they know how to; where they have not had that responsibility we will try to help out in that regard.

The tripartite process did not work very well during the past year and it is in some ways—not trying to avoid a responsibility or anything such as that—because the federal situation was in such a turmoil.

There was one meeting in November after our estimates last year where we did discuss issues such as the 1924 land agreement and others. Once the campaign for the leadership of the federal Liberal Party was under way after that we just could not hold any more meetings at that time. The progress has not been that great in the past seven or eight months.

Mr. Justice Hartt has been on a long case and has gone back to the bench. I think he is perhaps looking forward to retiring from that position and we are now starting to talk about a replacement for him.

Mr. Chairman: We still have a few minutes left. Before we continue, we have wandered a bit over the map on the opening statements. The minister did offer to get involved in the freedom of information and access by way of video matters, but I do not think we are going to have time for that this evening.

Hon. Mr. Sterling: We can stay late for that.

Mr. Chairman: Yes, we can have a late show, a live late show. He did commit himself to having the Niagara Escarpment people in on

Tuesday night. We still have every other item to deal with on this.

Mr. Stokes: The question was whether you want to finish it.

Mr. J. A. Reed: Mr. Chairman, I will be very fundamental considering the time left. Unfortunately, I have to travel next Tuesday and therefore I will not be able to participate.

Mr. Stokes: Too bad you could not have been here earlier. We would have let you do the leadoff.

Mr. J. A. Reed: It is too bad, but since I am not the resources policy critic—

Mr. Stokes: Neither is he.

Mr. J. A. Reed: —I will just deal with a few basics. The first thing we want to know, Minister, is why you exist. You may recall there was a committee on productivity in government, I think in the 1970s, that said there were some reasons the taxpayer should support a super-ministry.

Looking back, some of them are a bit bizarre. It was said the minister does not have time for policymaking. That was one of the reasons for creating a superministry.

Mr. Stokes: Excuse me. Earlier he complained because he was not allowed to do it.

Mr. J. A. Reed: Is that clock ahead of us in the other room there?

Mr. Wildman: They just shut down.

Mr. J. A. Reed: The government had grown too big and complex, so there needed to be a superministry; a priority system was required and government departments must no longer act independently of one another.

It is rather ironic to look back at the reasons your ministry was formed in the first place. We know policymaking ultimately has to be within the purview of the minister, whichever minister is in place.

Hon. Mr. Sterling: In most cases.

Mr. J. A. Reed: In most cases. We also agree ministries must no longer act independently, but they still do. That has never been overcome, even with the bringing together of superministers. I can give you some blessed examples of the right hand not knowing what the left hand doeth and all that sort of thing. We could get into that.

One of the things said at that time was that we could expect from the policy secretariats green papers on proposed policy, the trial balloons that would be flown and one thing and another.

It might be interesting to know from the provincial secretary how many green papers he

has produced and what the subject matter of those green papers might have been. After all, that was considered one of the major functions of the superministries. What I am getting down to is the function of the policy secretariat. I am not trying to zero in on the minister at all, but the secretariat itself and its role, its function and what it does. That is the question.

We were told it would be the repository, the creative source of green papers. How many have there been and which ones have you produced? What subject areas have you dealt with in terms of delivering green papers? I am not necessarily an advocate of green papers—

Mr. Stokes: You cannot deny they have worked for 41 years.

Mr. J. A. Reed: —but that was one of the considered reasons for establishing his job.

In the very brief time remaining, I will relate to the call by our party for an emergency debate on the Niagara Escarpment. We asked for it on Tuesday. The New Democratic Party asked for it a year ago and received it prior to the tabling of the Niagara Escarpment report. All of us felt, and I am sure the NDP felt the same way, that once the report was tabled there would be a real need for a complete and open discussion and debate on this.

The cabinet, as you have indicated to us in the Legislature, is now considering the report. We are told that by December the cabinet will make some sort of decision. Yet the Speaker's ruling on Tuesday was that this was not an emergency, while a year ago, when there was no report tabled, it was considered an emergency.

Hon. Mr. Sterling: No, it was not.

Mr. J. A. Reed: Yes, it was. It was considered enough of an emergency that the Speaker ruled the debate should take place.

Hon. Mr. Sterling: No.

Mr. J. A. Reed: You were part of it and I was part of it and the NDP was part of it.

Hon. Mr. Sterling: I just said I did not object to it at that time.

Mr. J. A. Reed: You did not object to it, we did not object to it and the NDP wanted it, and it took place because the Speaker felt it was enough of an emergency at that time.

Now we come to a situation where the decision is about to be made. The briefs have been filed, the cabinet is considering, etc. At some time it is appropriate that the Niagara Escarpment debate take place in the Legislature. There are a great many concerns.

Hon. Mr. Sterling: I could not agree with you more.

Mr. J. A. Reed: Okay. The minister has offered. You said perhaps it would be appropriate some evening. I would like to know whether you are prepared to make a motion in the Legislature that the report be debated.

Hon. Mr. Sterling: Speak to your House leader, who will deal with mine.

Mr. J. A. Reed: We are perfectly prepared to accept it. We want it, but you have to make the motion. If you want me to make the motion, I will and we can see whether you go along with it. The fact is it is your report and it is in your hands. Although I am no expert in procedural affairs, I am given to understand it is quite appropriate that the minister might make the motion that a debate on this report take place.

Hon. Mr. Sterling: I am in the hands of the House leaders.

Mr. Stokes: Have you tabled the report?

Hon. Mr. Sterling: Yes, it is public.

Mr. J. A. Reed: Sure it is. We are very concerned with that. I have about one minute left.

The basic concern, of course, is with aggregates and the school of thought that says—and we tend to concur with it—that the policy of the government will override the report ultimately when the Niagara Escarpment plan goes into the various official plans of the municipalities. We think there has to be a thorough airing. It does not matter which side of the issue you are on. There has to be a thorough airing of what can happen to that report as a result of policy by the government; not legislation, but policy.

I do not think the people of Ontario deserve government by policy. I think they deserve government by legislation. I am very concerned that this policy is going to override the escarpment report. We are in some trouble.

I am talking about the aggregate policy going into section 23 of the Planning Act whereby the Minister of Municipal Affairs and Housing (Mr. Bennett) can say, "This is in the provincial interest," with the stroke of a pen. Everything else is subservient to that. I ask the minister to consider this, because in any debate it will be at the forefront.

There is one other thing I will mention before we close. The minister is the minister for resources development. I want him to consider, maybe for the first time, the development or nondevelopment of small water power in Ontario.

For the last nine years that I have been hammering on this subject lipservice has been paid to it by the government, feasibility studies have been undertaken and all sorts of things, with one end objective: to declare the subject unfeasible.

In the interests of private enterprise, I am telling the Conservative minister that there is a role for entrepreneurship in electric power production in Ontario through the development of hydraulic power. One of the things your secretariat can do is pave the way by removing the deliberate obstacles to that development that still exist. They are there and I am prepared at any time to go through them with you in absolute, fine-tooth detail.

I think you have a responsibility. If you feel the conservation of water power and renewable energy are worth anything in this province, it seems to me that one of the positive things your secretariat could do is to deal with it, recognize where the obstacles are and have them removed.

Mr. McKessock: Mr. Chairman, on a point of privilege: the Ontario Public Interest Research Group has put out a bulletin. In the centrefold is the tree of the government. I want to point out that the Ministry of Agriculture and Food has the most branches of any ministry. I guess that is why I expect the minister to pay greater attention to it.

Mr. Wildman: The problem is that it has no roots; it just has a lot of branches.

Mr. J. A. Reed: It is on shallow ground.

Hon. Mr. Sterling: In closing, I do not accept your conclusion that I am not paying any attention to it.

Mr. Reed, you should read Hansard as to why I exist because we discussed that around 8 p.m., 8:15 p.m. or 8:30 p.m.

Mr. McKessock: Did we come to any conclusions?

Mr. Wildman: I thought the minister made some interesting comments on that.

Mr. J. A. Reed: Would you table the green papers?

Hon. Mr. Sterling: I have produced a number of green papers. I presented one on different approaches to privacy. I think the recommendations on the Niagara Escarpment plan could almost be called a green paper because those are, in effect, my recommendations. I was very much involved in developing the policy in that area. The secretariat produced a paper on self-government for natives as well. We have done a number of them during my period. I do not know how many were produced before that.

The committee adjourned at 10:33 p.m.

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Continued
Publication

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Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Provincial Secretariat for Resources Development



Fourth Session, 32nd Parliament
Tuesday, October 30, 1984

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Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, October 30, 1984

The committee met at 8:30 p.m. in room 228.

ESTIMATES, PROVINCIAL SECRETARIAT FOR RESOURCES DEVELOPMENT (concluded)

On vote 1901, resources development policy program:

Mr. Chairman: We have the estimates of the Provincial Secretariat for Resources Development, which we hope to complete this evening. I think we were going to deal with the Niagara Escarpment Commission this evening, unless the minister has another topic.

Hon. Mr. Sterling: Mr. Chairman, I indicated last week during my opening remarks that I was prepared to discuss any topic. I note Mr. Stokes is here and I presume he might want to talk more about my responsibility for native affairs than about the Niagara Escarpment.

I welcome that. I have no problem with that. All I said was that I would be able to have Mr. Ivor McMullin, who is the chairman of the Niagara Escarpment Commission, here this evening, so that if people had specific questions they wanted to ask him, they would be able to do that tonight. We also have with us Frank Shaw, who is the director at the Niagara Escarpment Commission.

Last Thursday night I had Carl Dombeck here. He has had a lot to do with the drafting of the Privacy and Access to Information Act. I would have preferred detailed questions then, if somebody wanted to get into the guts of that act as to what a particular section might mean in a certain circumstance or something like that. That would have been better asked last Thursday.

Mr. Chairman: It appeared there was no concern with that matter last Thursday.

Hon. Mr. Sterling: That would be the only reason for my drawing those two in. I welcome comments or questions about any part of my function as secretary.

Mr. Chairman: Are there any questions? I guess we will leave it open. I do not think there is anyone here who wants to speak specifically about the Niagara Escarpment.

Mr. G. I. Miller: Mr. Chairman, perhaps the chairman of the Niagara Escarpment Commission might bring us up to date on some of the

activities. I think it would be interesting to the committee. I do not know whether he has anything to report, but it might be interesting to see what his comments might be.

The second thing I am concerned about is the erosion problem that confronts southern Ontario in particular. I have a couple of questions about that and the role you might play as overall minister to co-ordinate programs as far as erosion is concerned.

I would like to discuss those two areas. I believe my colleague Mr. McGuigan, who has taken a leading role about runoff erosion in Ontario and the effect it is having on the farming community, may be in at a later point.

First, I would like to have a report. I know the Niagara Parks Commission restored a home at the botanical gardens in Hamilton. We had an invitation to attend, but we were not able to attend because of other activities. I know it is going to maintain that home and provide a headquarters for the commission, if I am not mistaken.

Mr. McMullin: The Bruce Trail.

Mr. G. I. Miller: The Bruce Trail? Okay. I would like to have a few comments from the chairman tonight.

Mr. Chairman: Mr. McMullin, would you like to address the committee and bring us up to date on what your activities are?

Mr. McMullin: In that case, I have to go back to June 30, 1983. The commission completed its plan after two years of hearings, and we reviewed the hearing officers' report. The commission again commented on the hearing officers' report and we made our recommendations to the secretariat. At that time, Lorne Henderson was the minister of that secretariat.

Mr. Stokes: How well we remember. Nothing very much happened, as I recall.

Mr. McMullin: I do not recall that.

We presented that plan to the minister. Since then, Mr. Sterling has been our minister and, in my opinion, is doing a very efficient job of it. He reviewed the complete report of the hearing officers and the commission and made a presentation to the public in Burlington on July 31 of this year. I think I am right in saying that report was available to all members and to the commission.

At this point, I believe the report is in the hands of cabinet and the commission is doing day-to-day work. As you know, the remaining portion of the planning area is still under development control.

The minister's recommendation is that over a period, after the municipalities have brought their official plans into conformity with the commission's plan, the implementation of that plan be given over to the regions and the counties. I am not sure how that is going to work out. We do meet with the regional chairmen and the regional councillors once in a while. They all have different opinions on how it should be implemented, but I am sure the government will deal with that when it comes in.

I think the development control system is working well. We deal with approximately 40 to 50 applications for development on the escarpment every two weeks. The commission meets every other Thursday and deals with those applications. At this point, very few are being turned down. We do deal rather severely with severances of land, but mainly we stay right with the policy the commission wrote.

The regions, counties and municipalities approved our policy. Out of 44, only two objected to the policies on severances on farm land. That is working very well. I know severance of land is a tough subject in the country areas. It is hard to deal with sometimes, but the commission has stayed fairly solidly with the policies it has, except once in a while when there are cases I do not think any policy fits, and we do alter them then.

Other than that, we have reduced the staff by about six people, but we still have to keep enough staff to handle development control. It takes so many people to do that, and that has not changed.

Mr. G. I. Miller: How many people do you have steadily?

Mr. McMullin: I think there are 32.

Mr. G. I. Miller: That has been reduced by six. It was 38 before?

Mr. McMullin: Yes. We had 52 when we were doing the plan.

Mr. G. I. Miller: That plan is completed now?

Mr. McMullin: Yes, that plan is in cabinet's hands.

8:40 p.m.

Hon. Mr. Sterling: May I interrupt a minute? The planning is finished for the moment, but under the Niagara Escarpment Planning and Development Act any amendments to the plan, which I would guess might occur immediately

after the cabinet adopts the initial plan, will again have to be dealt with by the Niagara Escarpment Commission. There will, therefore, still be a planning function at the commission, but nothing like the overall job it has had to do on the initial plan.

It is still doing the development permit system, so the administration part continues. But, as Mr. McMullin has indicated, after that, in the next little while, it is hoped that, with the delegation of some of the administration part to the municipality, the commission will be very much involved in the training of the particular municipalities, either the lower tier or the upper tier, in how to apply the new plan to that area. The work is not at an end at this stage.

Mr. G. I. Miller: As far as the minister or the chairman is concerned, are there any problems with the municipalities? Are they in agreement with the plan? Do they seem to be co-operating quite well as far as the planning and its effect on the municipalities are concerned?

Mr. McMullin: Better than I ever expected. We have had very good success in having meetings with them. There are still little problems. In the letters the cabinet has, they are probably asking for quite a number of changes, but they are minor changes, such as one farm out of 10,000 acres—that type of thing.

Changes are being asked for and, as the minister has said, there will be applications for amendment. On any land use plan there is always somebody who will apply to amend it.

Mr. G. I. Miller: We are used to having these changes all the time.

Has the cabinet not accepted the plan yet? Where does the plan stand now?

Hon. Mr. Sterling: Under the legislation, I was to look at the reports of the hearing officers, who had hearings for some two and a half years and heard some 750 submissions from various individuals, groups and municipalities, public and private groups. On July 31 they produced the plan, and until September 14 the public had an opportunity to appeal directly to cabinet to change my recommendations before the plan was approved.

We have received more than 200 appeals to my recommendations. I should not say they are all appeals. Some of them support my recommendations; some of them oppose my recommendations in certain areas; some of them are just repeats of the original appeals they made to the hearing officers. Although I would like to deal with the matter before the end of the year, I think it is going to be physically impossible for us to

consider each and every appeal and give it a fair hearing at the cabinet level at this time. We are proceeding with due haste in dealing with it, but it is going to take a little bit of time.

Mr. G. I. Miller: With the leadership convention on, of course, I assume that will affect the cabinet a little bit in dealing with some of these problems.

Hon. Mr. Sterling: It has not so far. Normally, what happens on appeals like these is that a committee of cabinet, the legislation committee, on which I normally sit, deals with these particular kinds of matters. We can deal with a number of appeals in an afternoon or whatever. Therefore, I suspect that in the next month and a half we will be dealing with a great number of appeals at that level.

Some of the key policy areas, which you may have heard of in the Legislature, dealing with, for instance, the aggregate policy area, will have to be dealt with by the cabinet directly because they are very important to the plan and to the people who are putting them forward and are major shifts in some policies. We will have to deal with those at the cabinet level.

We are in the process of making sure that every one of the people who have written to us gets a fair hearing, and I am trying to direct them in the most appropriate way to get to a final plan as soon as possible.

Mr. G. I. Miller: Are these individual appeals or are they from municipalities? What is the number of each?

Hon. Mr. Sterling: I am sorry, I cannot give you the numbers. They are in the hands of the secretary of cabinet and, therefore, out of my realm at this stage of the game. As a cabinet member, I know something of what is going on, of course.

Mr. G. I. Miller: Some were on behalf of the municipalities?

Hon. Mr. Sterling: Some would be, yes.

Mr. McMullin: Most municipalities sent in a brief, or a lot of them did. In talking with them, and there was quite a number of them at the Association of Tourist Resorts in Ontario convention last week, it seemed to me to be very minor things they have asked to have changed. I am pleased with what I heard because there are little things that could be changed to suit them. For instance, Sarawak township wants little pieces taken out. I went up to see them, and that would cause no problem. I think it has received very good acceptance from the municipalities, towns and regions.

Mr. G. I. Miller: What was the cost of restoring the old home at Hamilton?

Mr. McMullin: That is, again, out of our realm.

Mr. G. I. Miller: That is not within your jurisdiction?

Mr. McMullin: No, it is not our commission.

Mr. G. I. Miller: Who is that under?

Mr. McMullin: I am not too sure who restored that. The Royal Botanical Gardens and the Bruce Trail Association might have.

Hon. Mr. Sterling: It might be a conservation authority. I am not sure.

Mr. McMullin: Yes, the restoration was done by the Royal Botanical Gardens and the Bruce Trail Association.

Mr. G. I. Miller: Those are the two?

Mr. McMullin: The Bruce Trail Association is to get a permanent office in that building. I did not get to the opening either. I was invited. We sent Bob McNairn, one of our members.

Mr. G. I. Miller: The Bruce Trail is separate from your function?

Mr. McMullin: Yes. The Bruce Trail Association has nothing to do with us. We had a member of the Bruce Trail on the commission for several years. He resigned last year.

Hon. Mr. Sterling: Mr. Miller, I can understand your confusion about the botanical gardens because they are right in an area that is part of the escarpment, but also happens to be part of the parkway belt, if I am not mistaken. When the planning area for the escarpment was set out, it excluded the parkway belt, which cut into the escarpment and almost severed it at the junction to which you are referring.

One of the recommendations in the plan is that, when they are reviewing the parkway belt plan, which they are doing now, perhaps they should transfer the very portion you are talking about into the escarpment planning area. It makes more logical sense to do so.

Mr. G. I. Miller: Are there any plans afoot to provide accommodation for the Bruce Trail? Is that part of your planning function?

Mr. McMullin: The best way you could describe it is that the commission always had a concern for the Bruce Trail. The first map we brought out showed the Bruce Trail completely designated on the map. That caused a furore because it went across private lands.

Mr. G. I. Miller: I believe the member for Grey (Mr. McKessock) made a—

Mr. McMullin: And the member for Dufferin-Simcoe (Mr. McCague). We heard all about that. Now we have said, "Here is the planning area." We marked all the lands that are owned by conservation authorities, the Ministry of Natural Resources and the public. There are county-owned lands and so on. We recommended a string of what we called "nodal parks" up and down the entire escarpment.

We also recommended that the government establish a fund to purchase land on the escarpment when it became available. The cabinet accepted that recommendation and committed \$2.5 million a year to be set up in a trust fund through the Ontario Heritage Foundation to look at lands that may come up for sale on the escarpment. I think it is something that has to be dealt with over the years to come.

Mr. G. I. Miller: A long period.

Mr. McMullin: Yes. I think the plan we suggested was a good idea. Cabinet probably did too because it recommended it. I think it will work.

Mr. G. I. Miller: How much have you purchased at this point?

Mr. McMullin: We have not got the committee set up yet.

Mr. G. I. Miller: You have not utilized any of that funding then?

Mr. McMullin: Pardon?

Mr. G. I. Miller: You have not purchased any?

Mr. McMullin: Not as a committee. That was to be set up only this past month. In fact, the committee is not set up yet.

8:50 p.m.

About 75 per cent of the land recommended by Gertler in his original report has been purchased by the Ministry of Natural Resources conservation authorities, and the Bruce Trail Association has purchased two or three properties. A great deal of it is done.

Hon. Mr. Sterling: Have we purchased 16,000 acres, Ken?

Mr. Richards: Sixty thousand.

Mr. McMullin: Yes, about that.

Mr. G. I. Miller: How many miles is that? Is it 500 and some miles?

Hon. Mr. Sterling: It is 420 or so.

Mr. G. I. Miller: How many kilometres?

Hon. Mr. Sterling: About 720.

Mr. G. I. Miller: How much has been purchased?

Hon. Mr. Sterling: That is 60,000 acres.

Mr. G. I. Miller: I know, but what does that mean in distance?

Hon. Mr. Sterling: I do not know. It varies in width as well.

Mr. McMullin: We could get that figure for you. There has been a great deal of it purchased. There were lands that we did not recommend be purchased that the Bruce Trail Association uses. They can do so by easement or simple agreement with the land owners. They have a great number of agreements with—

Mr. G. I. Miller: Crop-raising?

Mr. McMullin: Yes. They lost quite a few during our process of the plan but they are getting it gradually ironed out. Part of the problem was that the Bruce Trail people had walked over this land for 10 years and had never gone back to the farmer to say thanks. Now they are going and talking to people and it is working out very well.

There is a lot of land that they will use that we did not recommend ever be bought.

Mr. G. I. Miller: It will not really affect the farming, whoever is utilizing it now?

Mr. McMullin: The farmer has the right to not let them through or whatever he wishes. There are a great many places they can go on abandoned roads and so on. There are a lot of old road allowances up through the escarpment that have never been opened, and they use them.

Hon. Mr. Sterling: We have said in the plan that under no circumstances would we expropriate. Any purchases for public use would be done on a right-of-seller basis.

Mr. G. I. Miller: When it becomes available and when they are willing to sell it?

Hon. Mr. Sterling: Yes.

Mr. G. I. Miller: Is that \$2.5 million being budgeted on a yearly basis?

Hon. Mr. Sterling: Yes, for 10 years, starting next year.

Mr. G. I. Miller: Are you planning on any accommodation? Is there plenty, in your opinion, to administer it?

Hon. Mr. Sterling: Right now there is a parks system outlined within the plan. That will be controlled by various people in the different areas. In some, it will be the conservation authorities who are already there. In others, it will be the Ministry of Natural Resources.

There is some expectation that there may be a national park up in the peninsula. The federal government owns a fair chunk of land there.

With respect to the accommodation coming down the escarpment, there is no plan to build or develop within the public sector. There is, of course, some private sector accommodation in certain areas. There are a number of resorts in the recreation areas in Collingwood and the south end of the Beaver Valley. The concept of the nodal park system is that there be 10 different centres for people to go to, from which to observe what there is to see along the escarpment.

With respect to accommodation along the Bruce Trail, I am not sure whether they have any now or not.

Mr. McMullin: They have two hostels they have built themselves and they run them. During the past two or three summers, they also have hired students to patrol the Bruce Trail, to pick up beer cans and whatever. That has improved their relations a great deal with the public.

Mr. G. I. Miller: Do you see it as becoming a major tourist attraction?

Mr. McMullin: More outside of Canada. There are a lot of Europeans and Americans.

Mr. G. I. Miller: I am thinking specifically for people in Ontario. Do you not think it could be beneficial?

Mr. McMullin: Yes, very much so. In fact, the Bruce Trail people can give you figures on the areas they figure have the most dense use. They quote up to 5,000 walking the trail in places. I think they are probably right.

Mr. G. I. Miller: That is 1984?

Mr. McMullin: Yes, they do an estimate every year.

Mr. G. I. Miller: Roughly 5,000?

Mr. McMullin: That is what they tell us. We have no figures of our own. We do not get into that. We have encouraged this bed-and-breakfast type of thing as we have talked to people up there. It seems to be catching on pretty good. Private homes are getting into the bed-and-breakfast business. That seems to suit these Bruce Trail walkers. I think there are a lot of possibilities in that.

Mr. McGuigan: We do not have the tradition of hiking as they do in Europe.

Mr. McMullin: No, but a lot of Europeans come over here to hike. It is amazing.

Mr. McGuigan: We are more apt to get in a car.

Mr. G. I. Miller: Ron, maybe if we take up a little hiking, it would be good for our waistline.

Mr. McNeil: I do enough on the weekends. If you look after your constituency, you will keep fit enough.

Hon. Mr. Sterling: It is important to note that just last year when some vacancies arose on the Niagara Escarpment Commission—two vacancies were available—we had Mr. Larry Haskell, president of the Bruce Trail Association, appointed to the commission. We are trying to give the voluntary associations a more direct say in what the commission is doing.

Mr. G. I. Miller: Does the ministry have any plans to provide accommodation or is it left strictly up to the association?

Hon. Mr. Sterling: I do not think it is a major objective of government to provide accommodation there.

Mr. Stokes: Are you a socialist? Leave it to private enterprise.

Mr. G. I. Miller: Okay.

Hon. Mr. Sterling: The Bruce Trail Association would basically be involved in that kind of endeavour. I believe they own some land in various places along the escarpment. We would be willing to work co-operatively with them in perhaps giving them a lease to an appropriate piece of land so that they could erect a shelter of some kind if they saw fit, but we have not got into that part of it yet. Perhaps in some years when this string of nodal parks takes place, that may come down the line in the future. It may be a good suggestion.

Mr. G. I. Miller: Does the chairman support that principle? It does not necessarily have to be the government that does it. Do you support the principle of encouraging people to use it by providing better facilities, maybe even by the private sector?

Mr. McMullin: By the private sector, yes, but I do not encourage the government getting into accommodation.

Mr. G. I. Miller: Okay, I agree with you.

Mr. Stokes: Except for Minaki Lodge.

Mr. McMullin: I do not want to get into that. That is not on the Bruce Trail.

Mr. Villeneuve: Is that the far end of the Bruce Trail?

Mr. Chairman: Yes, they were going to bend the Bruce Trail around that way.

Mr. Villeneuve: It is making money now, so do not worry about it.

Mr. G. I. Miller: What?

Mr. Villeneuve: It is making money.

Mr. G. I. Miller: I will bet you a dollar it is not.

Mr. Chairman: Let us not get into that.

Mr. G. I. Miller: Let us not get off the subject here. I wanted to make a little wager to see if we could keep down the expenses.

Mr. Chairman: Go outside and work that deal out.

Mr. Stokes: We will have no gambling in here.

Mr. G. I. Miller: So the commission is supportive of developing and encouraging the area as an attraction for all people, not only for tourists from overseas but local people too?

Mr. McMullin: Yes, as a recreation area for skiers or whatever. There is a huge area of the plan that we designated at Craigleith in the Camperdown area for development just for skiers. In fact, now they are going into more four-seasons recreation up around that area and they are getting into a lot of summer activities. It is amazing the number of people they are getting around to the ski resorts in summer.

9 p.m.

Mr. G. I. Miller: I think it is good, again, to get our people out of the cities and into any area, as far as that goes, to get exercise. It seems to me it could be a step forward. You still need to have accommodation if people are going to utilize it. There is no way everybody is going to camp all the way up. You need to have some accommodation.

I would like to get back on the list about erosion problems, but maybe somebody else has something about this topic.

Mr. Chairman: We can continue the Niagara Escarpment and then go back to any other subject. Mr. Stokes, did you want to say something about this?

Mr. Stokes: I have nothing on the Niagara Escarpment; it is a topic I know nothing at all about. I heard Mr. McMullin last year. I thought that, whatever he was doing, it was in good hands. What he has said this evening has reinforced that. I would like to get on to native affairs.

Mr. Chairman: Mr. McGuigan, do you have something on the Niagara Escarpment while Mr. McMullin is still here?

Mr. McGuigan: Just a message from the member for Grey.

Mr. Laughren: I was waiting to hear from him.

Mr. Stokes: He was here on Thursday when you were absent.

Mr. Laughren: I am waiting for him tonight.

Mr. Stokes: You were absent on Thursday.

Mr. Chairman: Where were you, Mr. Laughren? I think you missed us on Thursday night.

Mr. Laughren: I am here tonight.

Mr. Chairman: We missed you on Thursday night.

Mr. Laughren: Where is the member for Grey tonight?

Mr. McGuigan: The member could not here because of a pressing engagement in his riding. He wanted me to say that he feels this issue is pretty much in the past in the sense that the recommendations are all before cabinet. The battle has been fought and now it is up to cabinet. For that reason, he did not feel he had to be here to fight the battle. That is what he asked me to convey to you.

Mr. Stokes: He did that on Thursday night, about three times.

Mr. Chairman: That is right.

Mr. McGuigan: Better twice than not at all.

Mr. Chairman: We did hear from the member for Grey on the Niagara Escarpment, prior to our discussion on the Niagara Escarpment. If there is nothing else on the Niagara Escarpment, we will move on to other matters.

Hon. Mr. Sterling: Mr. Chairman, if I may, at this time I would like to put on the record a letter dated October 25, 1984, to the Premier (Mr. Davis). It is signed by 15 of the 16 members of the commission. I presume the 16th member's signature is not there because he was absent.

Mr. Stokes: How self-serving. Why did you not do it in your opening comments?

Hon. Mr. Sterling: This letter is to embarrass Mr. McMullin, not to embarrass me. Ivor has been the chairman of the Niagara Escarpment Commission since 1975. This letter, in more ways than any other, expresses how Ivor has been able to work with both the commission and the people in the Niagara Escarpment area. It will take only a minute to read.

"Now that the cabinet is considering the final approval of the Niagara Escarpment plan, we, the undersigned commission members, would like to make you aware of our deeply felt appreciation for our chairman Ivor McMullin's role in this arduous escarpment planning exercise, which is finally nearing completion.

"We think the most important attribute of the plan now before you is that it has the support of almost every municipality affected. Given the almost universal municipal opposition which

greeted the commission's first draft plan in 1978, the present level of municipal support is truly gratifying, and Ivor McMullin is the man who was instrumental in achieving such a complete turnaround in municipal attitudes.

"In his dealings over the last 10 years with nearly 50 municipal councils affected by the Niagara Escarpment plan, Ivor has been consistently accessible, sympathetic and fair but, at the same time, vigilant in maintaining the provincial objectives of the Niagara Escarpment Planning and Development Act. Judging by the results, his approach has been eminently successful.

"He has never hesitated to put himself on the front line during our difficult periods of turmoil; and there have been some, as you know, Mr. Premier. His courageous and inspiring leadership over the past years has instilled in us a deep sense of loyalty to him and gratitude for the job he has done.

"Now that the commission's major task, the preparation of the Niagara Escarpment plan, is finished, we wanted to ensure that our appreciation of the crucial role played by Ivor in the successful completion of the plan did not go unrecorded or unrecognized. This is why we have written to you.

"It was with a great sense of loss that we received the news of your recent decision to step down from your position as Premier. Over the past 10 years we have always been comforted by your steadfast support for our Niagara Escarpment planning efforts and we will never forget it."

That is signed by 15 out of the 16 members of the commission, who represent both the municipal interest and the public at large.

I thought I would in a small way convey my thanks and those of the Legislature by putting this in the record. It recognizes in some formal way the work that Ivor has done during the past nine years and the tremendous job he has done in helping me present those recommendations of July 31.

Mr. Chairman: I think the minister has said it all, and the committee certainly echoes his remarks and the remarks of your commission.

Mr. G. I. Miller: Mr. Chairman, on behalf of the Liberal caucus I would like to say thanks too, because while there has been some opposition from our members, we were just speaking out on behalf of the people we represent. We give you credit for pulling it all together after dealing with that opposition; I think it augurs well for you. I would like to say thanks on behalf of the Liberal Party.

Mr. Stokes: I am not going to say anything, Mr. Chairman. I said it before he read the letter.

Mr. Chairman: You said it before; that is right. You introduced the letter. Thank you very much, Mr. McMullin, for attending this evening.

Mr. McMullin: I should thank you, Mr. Chairman, as well as the minister and all three parties, because during the process of developing the plan we had discussions not only with the government side of the House but also with several Liberal and New Democratic Party members who have constituencies in the plan, and I found it a pleasure to work with them all through that time.

Mr. Chairman: We can move on to other matters now. The member for Lake Nipigon (Mr. Stokes) had something.

Mr. Stokes: Yes, Mr. Chairman. It took me a fair bit of time to find out who the minister's deputy was. Now that I have found out, I want to know where he was on Thursday night. That is a rhetorical question; I do not want an answer.

I want to know why he is here, because I have followed this man's career for a good length of time, and any time I had a problem of a specific nature I made it my business to seek out Don Stevenson. I hope this does not herald the end of his career as a civil servant, but I found him to be very competent and well on top of anything that was assigned to him.

Now that we have the present secretary, assuming that provincial secretaries have a role to play—and I voiced my opinion and was sort of heartened to hear what the provincial secretary himself said in answer to my question about his taking a much more meaningful role—I notice that in the amount of money you are asking for in these estimates only about \$10,000 can be directly attributed to your direct financial participation in anything remotely dealing with Indian or native affairs. This leads me to believe that you are strictly a co-ordinating presence rather than a line ministry charged with specific responsibilities.

You seemed to say in response to my question on Thursday evening that you were not at all happy or very comfortable with the role you are playing, that you would like to get more intimately and directly involved in things that fall between two stools, in which you cannot say it is the responsibility of another operating ministry, and that you would like to be more involved in decision-making rather than in picking up the pieces or the crumbs from the table where somebody was doing an inadequate job.

I see the secretary and his deputy as two people who are genuinely interested, concerned and eminently qualified to perform that role, and I want to tell you some of the things in which I think you should be getting directly involved if you mean what you say, and I have no reason to doubt that you do.

9:10 p.m.

It would make your task much more rewarding, and it would serve notice on native people that your co-ordinating role for anything remotely or directly connected with native affairs had some meaning and much more relevance to native people now that they have been recognized in the new Canadian act. You indicated in your opening remarks that you were going to follow through and play a lead role.

I want to find out why you put in your briefing notes—not in your opening statement but in your briefing notes—the following statement on page 13:

"The role of the provincial secretary is to development government-wide or corporate policy as well as to facilitate policy development by line ministries in regard to matters affecting native people. The secretariat has the responsibility for providing corporate guidance to and co-ordination of interministerial activities to ensure that the government generally deals effectively and consistently with native affairs issues. Line ministries and central agencies retain their respective responsibilities and mandates to develop policy, operate programs and provide services relevant to native people and to meet with native delegations as required."

It then talks about how you are assisted by the cabinet committee on native affairs. I do not want to be mean or uncharitable, but I think the paragraph is a bloody farce.

"The provincial secretary is assisted in his role by the cabinet committee on native affairs, a deputy ministers' steering committee, the interministerial committee on native affairs, and by a small native affairs secretariat."

I know you have some good people in the secretariat, but I heard your predecessor say, "We are really serious about what we are doing and specifically about our responsibilities for the co-ordination of any policies dealing with native or aboriginal rights." The only claim to fame was your predecessor saying, "I have a person on my staff with Indian blood in his veins." He called the person by name and said, "Stand up and tell them you are an Indian." What a mockery of the whole process.

For the first time since we have had provincial secretariats, and particularly this one because I am more familiar with it than any other, we have an opportunity to make a breakthrough with you, with your deputy and with Ms. J. J. Clapp, who is responsible for the native affairs component. I know something about all three of you, and I would like to set out an agenda for you three people to follow up for very obvious reasons.

You know that your colleague the Minister of Natural Resources (Mr. Pope), in a heavy-handed or perhaps stumblebum approach, tried to do something useful and meaningful. I supported him in that, not so much for the way in which he did it but for what he was attempting to accomplish. He got no support from his colleagues—I am not being uncharitable, but I am being factual—including your predecessor and another minister of the existing cabinet, and he was shot down every step of the way.

I hope that happened because of the way in which he approached the task rather than for what he was genuinely attempting to do, which was to bring some order out of chaos with regard to the management of our resources, the husbanding of our resources and the sharing of our resources among the variety of users. I am talking about the Indian fishing agreement. That was a fiasco from the word go, and I am sure you are still trying to deal with it.

The Minister of Natural Resources says it is dead for all intents and purposes because we could not get the acquiescence or co-operation of the federal government. We have a different federal government now, but I see no initiatives to go back and try to pick up the pieces and restore some order out of the chaos I mentioned earlier, to get an Indian fishing agreement that means something for the sports fishery, the commercial fishery and the economic and social wellbeing of that resource for the benefit of everybody in Ontario, whether they are native or non-native and regardless of where they may choose to live.

It was a real breakthrough, but it fell flat on its face. I want to know whether what the Minister of Natural Resources was attempting to do had the blessing of the government. I would have to think it had. I am also wondering whether the minister is committed to that process, perhaps not using the methods that were used but trying to achieve the same objectives. That is one thing he should have on his plate.

Having to do with the quotas, the minister will recall that the Minister of Natural Resources got up and reminded everybody who chose to listen

that the quota system as he was imposing it, whether on a regular commercial fishing licence basis or on a permit basis, was declared unlawful and that people generally did not have to pay any attention to it because it was the opinion of the higher courts that it just would not stand the light of day.

He did ask for a stay. I do not know the present status of either the court decision or the quota policy. Perhaps the minister can enlighten me because, if he is really serious about the things he is charged with the responsibility for co-ordinating, maybe he can shed some light on it.

That is still a pressing issue, and I know there is going to be pressure out there; there always is when there is a sharing of a limited and sometimes diminishing resource. But the problem is not going to go away; it is going to continue to be there. There are going to be conflicts, but I think the Indian fishing agreement was a step in the right direction, perhaps not with the same emphasis that it had before, but its overall concept made some sense.

For the first time ever, it put some onus on our first citizens, our native people, to be responsible not only for conservation but also for sharing, management and enforcement. That is the only way it is going to work. One can have some variation in who does what and variation in emphasis, but if we want our first citizens on our side, we have to make them a part of the whole process.

Let me give another example, the migratory birds legislation. That is a federal statute, but I am sure the secretariat's legal people, perhaps Ms. Clapp, have been monitoring the cases that have been before the courts having to do with the right of native people to hunt migratory birds. Also, that they are asking to what extent the Ministry of Natural Resources and therefore the secretariat, as the co-ordinator for native problems, have responsibility to see whether the provisions of the migratory birds legislation are constitutional and whether the charges that are being laid make any sense. We hope the secretariat will try to restore some order so we have native people coming along with us, rather than having this adversarial position that we have every time we get a conservation officer out in the field or, in this case, an officer of the Royal Canadian Mounted Police.

We do not know where we stand. The more I hear of it, the more confused I get and the more complicated the issue becomes. I see that as a role the secretariat can play to bring some order out of chaos.

9:20 p.m.

Let me give another example. The minister will know we had a task force made up of several ministries of this government, headed by a chap by the name of Rudy Wycliffe, who was with the Ministry of Northern Affairs, operating out of Sault Ste. Marie. I understand he has just been transferred down here with the Ministry of Transportation and Communications.

There was a very comprehensive study done concerning the high cost of transportation in those remote northern native communities. In the case of the high cost of consumer goods, I was able to prove to them that, at certain times of the year, people were paying \$6, \$7 and sometimes \$8 for a gallon of gas if they did not happen to have an airstrip and if they did not have the wit or the foresight to bring—

Mr. G. I. Miller: Eight dollars a gallon?

Mr. Stokes: Yes. As much as \$8 a gallon in certain circumstances. In such places as Kasabonika, before it had its airstrip, that was the case. It is possible they would pay \$4 to \$5 for a litre of naphtha gas where they have a small lighting plant. It would cost them \$125 a month to operate a Honda generator just to have a couple of light bulbs burning up there.

This was all brought out in the task force report on the high cost of consumer goods and the high cost of transportation. Nothing of any consequence has been done. One of the things I have been trying to push for is the restitution of the barge system from Moosonee up the west coast of Hudson Bay to places such as Fort Albany, Kashechewan, Attawapiskat, Winisk and Fort Severn. It was once operated by the Hudson's Bay Co. They lost two barges. I happened to be up there when they lost one of them. They just could not take these losses; so the barge system was lost.

It was possible to get goods in there at about nine cents a pound. Now it is all being flown in and it can run anywhere from 30 cents a pound to 73 cents a pound, depending on the nature of the commodity, the size of the aircraft and the urgency to get the stuff in.

That is one way I think you can co-operate. I am going to provide you and your deputy and Ms. Clapp with a model based on a place in my riding called Kingfisher Lake, where they are doing things you would not believe. It is so impressive that the Canadian International Development Agency out of Ottawa got to hear about what is going on in Kingfisher Lake, which is accessible only by air, and is using it as a model

for many isolated communities in the Third World.

It is a revelation. I convinced your colleague the Minister of Northern Affairs (Mr. Bernier) that he should go in there. He was just as impressed as I was. All of this was accomplished without an airstrip. They are now on the top of the list. I got a commitment from the Minister of Northern Affairs during his ministry's estimates 10 days ago that a year from now they will have the equipment in there by Hercules and that before 1986 is over they will have an airstrip. It will give them an edge you would not believe.

I do not want to take up the time of the committee to tell you the many things these people have done, but they have bought out the Hudson's Bay store, for instance. Prior to that, 83 cents of every dollar that came into the community by way of social assistance, tree planting, commercial fishing and firefighting went out again via the Hudson's Bay store. It took fellows like Noah Winter and Simon Sakakeep almost a year to convince the Hudson's Bay Co. it should sell its store to the band.

They opened up a co-op store and they have not looked back. They have reversed that statistic 180 degrees. Now the money is staying in there. They used it to put in their own hydro distribution system, their own generating capacity. They are now burning fuel oil rather than gasoline. They have got down the cost of electrifying a home from \$120 to \$60. They have a laundromat that is making money, a coffee shop that is making money, their own satellite for television and their own communal garden. They are building their own church. They are limited only by their imagination as to the kinds of things they will be able to achieve.

I want to tell you that last summer, people in neighbouring communities were chartering Cessna 180s and 185s to go over and buy gasoline; that is not cheap, but it was still cheaper for them because the people in Kingfisher had the foresight to make a deal with the bulk suppliers of petroleum products, get the best deal possible from the air carrier and fly it in on the ice. They do not have an airstrip; they had to go out and clear a strip on the ice. They said, "Use a winter ice-based airstrip, and if you can get it in for X dollars and cents, we will deal with you."

They were selling gasoline for \$3.50 a gallon when their neighbours, not too many miles away, were paying \$6, \$7 and sometimes \$8 a gallon, because they were using their entrepreneurial skills to get the best deal possible at the best time and they had sufficient storage capacity that they

would not have to be buying it when it was most expensive and have to get it in on floats in the summer.

That is one thing that you can use, to go up there and say, "Good things are happening in the north. Let us have more of it."

As for the airstrip priorities themselves, up until a few months ago we used to get two airstrips a year. Some of them would be in Cochrane North, Lake Nipigon or Kenora riding; but generally speaking, depending on the priorities and who seemed the readiest, we would get two airstrips a year. Now we are getting one every two years.

That is not the worst part. A lot of these native communities want hydro. Ontario Hydro is saying the final requisite for it to go in and electrify a community—assuming the federal Department of Indian Affairs and Northern Development will provide the funds—is that there must be an airstrip so it can get the heavy equipment in, the poles, the transformers and the generators. Kingfisher proved they could do it themselves and, as I say, we want more of it.

However—and this is rhetorical again—do you have any input as to who establishes the priorities? I know the Ministry of Northern Affairs has the dollars. I know the Ministry of Transportation and Communications contracts out or does the work. But what do you have? Do you know of a Kingfisher? Do you know what the priorities should be? Do you know how important it is that every community up there have an airstrip?

Let me try something else on you for size. Traditionally, native people have fished commercially whenever the market forces were such that they could make a buck doing it. It has been pretty tough lately and the amount of money they are getting for most species of fish hardly makes it worth their while. There has been a glut of fish, both freshwater and saltwater, and we do not have the indigenous markets that the member for Haldimand-Norfolk (Mr. G. I. Miller) has down on Lake Erie at Port Dover and places like that. We have to export.

9:30 p.m.

You start out by shipping it, trying to keep it fresh in one of those northern communities, flying it out to a processing plant and then it goes to the Freshwater Fish Marketing Corp. in Winnipeg. Sometimes it is not even worth their while; it actually costs them money to fish.

A lot of people think native people are lazy and indolent. They say, "They would rather collect a welfare cheque than anything else," but that is

not the case. I could take you into native communities. I took a bunch from down here this summer. I took the Lieutenant Governor up last summer. I welcome people to go up there and see what is going on.

Native people being what they are, they will actually fish at a loss just to prove to themselves that they can do something useful. It is not profitable, but it gives them a sense of having done something, even if it costs them money from their welfare cheques to buy the equipment and gasoline to go out and fish. They bust their neck to get an air carrier to pick up the fish and take it to Red Lake or Pickle Lake, where it is trucked it all the way to Winnipeg, where it is processed, and then it goes on the open market.

They are not making any money at it, and there has to be a way of making it possible for them to get their fair share of the market at a price where they can do a little bit better than break even. Certainly, the case now is that most of them are losing money.

They do not have that many options open to them, but I want to tell you about two that are. One option is tree planting. If you listen to the Minister of Natural Resources (Mr. Pope), you hear him talking about forest management agreements and the literally millions and millions of trees that are being planted. Do native people get a piece of the action as they once did? No.

We have a reforestation approach, directed from head office here in Toronto, that picks people—from where, I do not know—to get contracts because they are able to bid lower than some local entrepreneur up north who traditionally takes on a contract for planting trees. The Ministry of Natural Resources finances reforestation and urges people to set up tree nurseries, but it does not physically do the work itself any more.

There are literally millions and millions of our dollars going into reforestation, but to hear some of the people who know a lot more about it than you and I, about 50 per cent of the trees are not being planted properly. A local entrepreneur who knows how to plant trees and insists that there be no wastage cannot break even at anything less than 14 cents a tree. But we have entrepreneurs from Toronto and, would you believe, from Vancouver bringing in their own staff and planting trees at 11 cents a tree. They are cutting corners and we are not getting the best bang for our buck.

Native people are traditionally good tree planters. Native people are traditionally good forest firefighters. But are they getting the work?

No. It goes to university students. I can understand that there is pressure to get these people from down south who want to get a few bucks in their pocket so they can go to university or community college in the fall; it is a really tough thing.

The native people get the short end of the stick every time. It does not matter whether it is the high cost of transportation, the high cost of consumer goods, what we are paying them for their fish, the availability of traditional jobs such as tree planting and forestry; they do not even get a smell any more. It is a travesty.

I do not know whether the provincial secretary is aware of that. I know the Minister of Northern Affairs (Mr. Bernier) is aware of it. I know the Minister of Natural Resources is aware of it. It is like the weather—everybody talks about it but nobody does anything about it.

Another area is tourism. I had the Lieutenant Governor up there a year ago last June, and we met with people at Fort Hope, way up at the coast at Fort Severn and at Big Trout Lake. Chiefs were flown in so they could sit down and have their say with the first citizen of the province. He asked that I arrange a trip up there. He said: "I would like to be able to say I have been up there. I would like to be able to say I have made an impression on their lives, because I am the Queen's representative for everybody in the province, regardless of where he may live."

I could probably dig up all of the literally hundreds of letters I had to write as a result of that. We made some breakthroughs, but it was just a halting step forward when you consider the problems our native citizens are facing.

There is one final thing, namely, tourism. Areas where you, your uncle or your dad may have gone to be assured a good catch of fish are no longer productive, and you have to keep going that much farther away. You hear stories about it, "This lake is fished out" or "This lake has become sterile as a result of acid rain"—all the reasons why lakes are not as productive as they were or why there are not as many moose or deer as there were up in the far north where these native people make their home and make their living—I guess more accurately "eke out a meagre existence"—from the resources that are indigenous to those areas.

I went out with the Lieutenant Governor's staff on Eabamet Lake at Fort Hope. It was very windy, and they did not think we were going to be able to get out at all. But at about 8:30 in the evening they said, "Okay, let us go out and try it." There were a bunch of us—native people, the

chief, the councillors, aides-de-camp to the Lieutenant Governor and security people. It took us from 8:30 until 9:10 to get to this fishing hole. We could not get out to where the good fishing was because it was too rough, but we got to this other place. We spent 40 minutes getting there by boat. From 9:10 until 10:30 we caught 47 fish.

We never kept a jack and we never kept a pickerel any smaller than that, and that was not the good place. They were apologetic because they could not get us to the good place. Now, brother, that is fishing.

Mr. G. I. Miller: Is that two feet? You cannot record "that" length in Hansard.

Mr. Stokes: Yes, 20 or 24 inches. That is what those people have to sell right on their doorstep, but every time they make application for a licence to operate a tourist camp through the Ministry of Tourism and Recreation or any time they try to get a land use permit to set up an outpost camp so they can conduct business, you would not believe the bureaucracy and the red tape they have to go through. These people are not very sophisticated.

It is a litany every time I go up there. I have raised it with the Minister of Northern Affairs, I have raised it with two or three Ministers of Natural Resources and I am raising it with you now because I think you have a role to play. You want to get involved; you have already said so to me. I would like you to put your actions where your mouth is. If you want any more ideas, I do not want to pre-empt the time of this committee. I just touched the surface of the things we could be doing.

Hon. Mr. Sterling: First, I would like to thank the member for Lake Nipigon for some of the knowledge he is imparting to me. I appreciate the intimate knowledge you do have, representing an area such as you do represent, and I know very well your reputation for being in close touch with your riding and with the native communities. I did have the opportunity to read a newspaper article about part of your trip up north this summer with some people from the south, and I was very interested in it.

Mr. Stokes: Come on up and see it at first hand.

Hon. Mr. Sterling: I have to do that. I have seen some of it but not enough of it.
9:40 p.m.

Mr. Stokes: Do not go up as one of your colleagues did. He went up about three years ago. He had just got a new portfolio assignment and he decided, "Gee, it would be nice if I could

take a trip up to the real north." He flew out of Toronto to Moosonee. He went along the west coast of James Bay up to Hudson Bay and found himself at Fort Severn, which is the most northerly and the last community in the province. It was while the Task Force Study of Transportation and Living Costs in the Far North was in the midst of looking at ways in which it could come to grips with the high cost of transportation and consumer goods.

He wanted to meet the chief. He had his wife with him. That was the big thing, to be able to meet the chief of Fort Severn. That was his first and biggest mistake.

The chief said: "A minister of the crown. Come on in and sit down." "Oh, no, I do not have time. I just wanted to say hello." "Sit down. We have something to say to you." One of the first things they asked about was the status of the task force investigating the high costs. He said: "You must know there is nothing we can do about that. If you people choose to live up here, so be it." He was lucky to get out with his skin.

He came back home and said, "They are rough, tough customers up there." I said: "Why? What happened?" He related the story to me. He deserved everything he got. If he was going to go there, he should at least have known the situation he was getting into. Do not tell those people that. We have a bunch of civil servants investigating by way of a task force the high cost of transportation and communications and he was shrugging his shoulders as a member of the executive council saying, "There is nothing we can do about it." When somebody does that, I think I would be in favour of bringing back scalping.

Hon. Mr. Sterling: I could not agree with you more. As I mentioned in my remarks last Thursday night, one of the problems is the present structure of the secretariat to deal with a lot of the practical problems you are setting down. One of my priorities at the present time, either under the secretariat or under some other ministry, is to focus on economic development for natives.

In my view, it is an area we have not paid adequate attention to in order to address a lot of the situations you talked about, which are basically economic development problems such as transportation, tree planting and tourism. As I indicated to you before, my preference would be that a ministry take on the major role in native affairs. That idea should be taken forward by everyone who is concerned about this matter.

Unless you focus or force the focus of economic development on one area based on native needs, you cannot deal with the issues from what I know about how Indians think about resources. Unless you come from their thinking, you cannot adequately deal with the real problems.

I do not have any say, as you indicated when you talked about the priorities for the Ministry of Northern Affairs.

I can deal with the odd project in the north that comes to my attention by urging a ministry to contribute to this or that capital project. By general nudging of various ministries, I may be able to have something done or happen. I had that done with the wilderness camp near Kenora, as a result of some of the work I did at the Provincial Secretariat for Justice.

I truly believe, Mr. Stokes, that there has to be a better focus in terms of recognition on our government's part of the need for economic development in the north, where the development of economic packages may need in some cases a little more help from the public sector in certain situations where the skill is not there to carry it, at least to teach native people how to take it over.

Mr. Stokes: There is at Kingfisher. All they need is the wherewithal.

Hon. Mr. Sterling: I know about Kingfisher and I mentioned in my opening remarks that it is a terrific example of what they can do. It would be tremendous if we could duplicate that everywhere.

Mr. Stokes: It would do your heart good just to go up and see the library they have. It is beautiful. As a matter of fact, I have been on Funk and Wagnall's Books of Knowledge during my time here. I have paid \$75 for it. They are going into the library at Kingfisher. They are making an effort to help themselves, and I think it is my responsibility to try to help them. That is where they are going. They can do it.

Hon. Mr. Sterling: I think they can do it. It requires a commitment on their part and it requires a commitment on our part in dollars. It also requires a commitment of focus and ability on my behalf, for instance, to know where the opportunities lie.

Mr. Stokes: Exactly. I could not agree more.

Hon. Mr. Sterling: It is very difficult for me to know that an opportunity does lie in Kingfisher or wherever it is, unless I have somebody there who is visiting on a regular basis. I would like to see either the secretariat involved or an enlarged

role for the Ministry of Citizenship and Culture in economic development in its native branch.

Mr. Stokes: Peanuts.

Hon. Mr. Sterling: I know it is peanuts, but what I am saying is an enlarged role or whatever.

Mr. Stokes: I do not even write to them. I do not even call them any more because they have become so irrelevant. That is not to say that the people who are there are not well meaning, but they have no mandate and no direction.

Hon. Mr. Sterling: I am saying that the people who are concerned with this particular problem and the needs of this community will be doing the community a great favour in terms of trying to focus real power and mandate in one house.

Mr. Stokes: As I am listening to you, and I am trying to listen very carefully, I am trying to put it into the right envelope what you are saying and see what the hope is, looking at it from the point of view of the frustration that is being experienced on a daily basis by native people. I do not know that I got into it in as much detail.

I tried this approach on Mr. Russ Ramsay, your predecessor twice removed. When you started talking like that, I said, "Where have I heard that before?" Russ is a well-meaning guy. He is a fellow with a social conscience, sensitive and everything else. I think I heard him say essentially the same things that you are saying. Was he getting too close to the truth that they changed him into something else? Then your predecessor was brought in. You are saying all the right things, and God bless you for it, but are you going to go the way of the dodo bird too?

Hon. Mr. Sterling: I could go the way of the dodo bird. The timing is better now—

Mr. Stokes: No question.

Hon. Mr. Sterling: —because of the first ministers' conferences and the fact that the federal government has changed.

Mr. Stokes: With your deputy minister writing all the speeches for the Premier and his minister, the Minister of Intergovernmental Affairs (Mr. Wells), he has an opportunity really to put some flesh on the bones.

9:50 p.m.

Hon. Mr. Sterling: It requires a certain amount of agreement by other political interests both within and outside this province.

Mr. Stokes: The time was never more right.

Hon. Mr. Sterling: I agree.

Mr. Stokes: You cannot bash them at the federal level any more. You have to co-operate with them and make something happen.

Hon. Mr. Sterling: Not only that, but it is my hope that this jurisdictional tangle can be partially unravelled, not necessarily by a constitutional amendment, but by the provinces and the federal government being able to sit down and say: "What is reasonable for you fellows to do? What is reasonable for us to do? Let us stop saying the other party is responsible for this. Let us cut our deal financially and get on with whatever our respective mandates might be."

I hope we can do that, because the preliminary discussions I have had with some of the Indian leaders in the province indicate that the first ministers' conference in March or April, whenever it takes place, may lead us into that kind of negotiation for the agreement of where jurisdictional lines lie. Once that is done, there will be a necessity for the focus I am talking about, a focus I hope will eventually lead, or will lead shortly, to economic development, employment opportunities, training opportunities for the native community, reserve or nonreserve.

Mr. Stokes: Let me give you one more example. Mr. McMullin is here and I am sure other members of the committee want to get involved. I will make this one final point to add to what I have already said and then I will shut up.

The 1924 Indian land agreement amended or abrogated to some extent Treaty 9. It was an adhesion to Treaty 9. The province said, in effect, that even though the land belonged to the Indians, or at least was held in trust for them by the federal government, if any mineral wealth were found under the ground on the reserves the province gets 50 per cent of the proceeds. You can go out and get all the exploration crews and everything else to go up there and hunt for minerals, precious or semi-precious or base metals, but if you are going to develop them, 50 per cent of the proceeds go to the provincial Treasury.

Whatever happened to the treaty? I am sure Ms. Clapp can tell you how many times the 1924 Indian land agreement has been broken in order to provide an economic base for native people in southern Ontario. I think of Cape Croker and the Abitibi band. If you check with the tripartite Indian Commission of Ontario, if you check with the Attorney General (Mr. McMurtry), who has been looking at it, you will find out how many times. I am sure the member for Algoma-Manitoulin (Mr. Lane) can point to places in his own bailiwick where that 1924 Indian land agreement has been abrogated.

The Fort Hope Indian band has had three or four major exploration companies scurrying

around and they have come across some very good leads. I have negotiated with four or five Ministers of Natural Resources to try to get them to forget about the provisions of the 1924 land agreement and to make it viable for somebody to go in there and exploit those mineral resources for the benefit of the people who own the land.

Do you think I can get them to do that? René Brunelle agreed with me and the present Minister of Northern Affairs (Mr. Bernier) agreed with me, but the Treasurer (Mr. Grossman) does not agree and nothing happens. Nothing will happen to develop that economic base until you people come up with a policy that makes it viable to go in there and exploit in an orderly fashion that mineral wealth for the benefit of the indigenous people.

They do not want our welfare or our various forms of social assistance. Give them an economic base. They have it right there. Yet nobody does anything about it. That is another thing you can really get your teeth into and I will not say anything.

Mr. McGuigan: I am ready to go on to another subject.

Mr. Chairman: That is fine. We have no specific agenda, just time to fill.

Mr. McGuigan: I want to talk about soil conservation and shoreline erosion because I live along Lake Erie. I know Mr. Miller wants to talk about the same subject.

I guess the conventional way of starting criticism is to say we do not see any role for the Ontario Secretariat for Resources Development, it is useless and so on. I have come to a different conclusion. I think Mr. Stokes outlined it somewhat in his talk just now. I do see a role for the secretariat. It may not be the original role that was seen, as a superminister who is going to sit up in the heavens and say, "You, Minister, do this, and you, Minister, do that, and do not cross the line" and so on. Human nature being what it is and ministers being what they are and having big egos and staffs and all this sort of thing, you cannot do that with them.

But there is a role I can see as a conscience among those various ministers. I guess the worst thing I can say about my own view—and Mr. Stokes touched on this, too—is that as soon as we get a person like yourself or the present Minister of Labour (Hon. Mr. Ramsay) and others who develop a conscience and a feeling on these matters, they are immediately moved.

We should not be using this position as a training ground. I think the job should be seen as an important one, as having a real role, and it

should be strengthened. I can see people like you becoming a bit of a gadfly in that you could be making some speeches promoting some of the things that need to be done. I know you would have to do it a sensitive way because you would not want to be talking constantly about things that never develop, but still you could take a role, it seems to me, as a conscience within the government in native affairs, soil conservation, and other concerns.

I would like to report that I feel I have made some progress in the matter of soil conservation and it was really through this committee. When the present Minister of Labour was Provincial Secretary for Resources Development, he announced that he was going to show a slide show one day on some aspect. I asked him if I might have the same privilege. Gentleman that he is, he said yes.

10 p.m.

I brought in Dr. Charles Baldwin from Ridgetown College, who is probably the foremost person in this field in Ontario or in Canada. He is recognized in the United States; he just recently received an award from the Soil Conservation Society of America. He does not pull his punches. He gave us a slide show, about four or five years ago, when not too many people were talking about soil conservation; it was not popular. He really outlined the program.

I think he made some impressions upon people because, following that, the Ministry of Agriculture and Food came forward with a \$25.5-million environmental and soil conservation program over five years. They will match up to \$7,500 a year for a project from a farm; such as 50 per cent grants for manure storage, 75 per cent grants for soil erosion. Just this year they have appointed 14 new soil conservation officers to work throughout the province. In one very bad area, the Rondeau Bay watershed, which is probably one of the worst areas in Ontario, they have spent \$10,000 on a project this year.

I want to leave that for a minute. I will come back to it because I have a lot of criticisms of what has been done. At least those initiatives have been taken and some recognition has been given to the problem, but it came through this committee rather than through the Ministry of Agriculture and Food; so I see a role for this committee.

I want to talk about the problem. It has been catalogued in the report issued by the Senate committee on forestry, soil conservation and fisheries, which travelled this summer. I went to one of the committee's hearings in Guelph.

Hon. Mr. Sterling: You made a submission to it, did you not?

Mr. McGuigan: Yes, I made a submission to it.

One of the speakers there hit it on the head when he said, "First of all, you have soil degradation." We have all talked about conservation and soil erosion, but the real problem is the degrading of the soil. He pointed out that, first of all, you degrade the soil; then it moves. That is a very important distinction. Even though it may be on a slope or in some other highly erodible situation, it does not move until you destroy the quality of the soil.

We degrade the soil today in several ways. One is by monoculture; that is, constant row crops, soybeans after soybeans, corn after soybeans or corn and soybeans. If you drive in southwestern Ontario, almost anywhere from Toronto down to Windsor, that is pretty well the type of agriculture you will see.

Part of the problem is tradition. Ever since the plough was invented, the idea has been to plough clean—plough all the trash under—plough straight and plough deep. Even the last issue of the magazine put out by the Ministry of Agriculture and Food—I did not bring a copy with me—had on its front page a picture of somebody ploughing, and the caption underneath was, "Plough straight and deep."

In 1984, the Ministry of Agriculture and Food has been issuing a newspaper that says, "Plough straight and deep," but all the research will tell you that you should not plough more than four inches deep.

Hon. Mr. Sterling: Neither should you do it in the fall, I take it.

Mr. McGuigan: Some clayey soils require it. But there is no advantage in ploughing more than four to five inches deep at the most. Yet some people are ploughing six, eight and even 10 inches deep, simply because they have a great big diesel tractor and they like to see the smoke come out of the exhaust as an indication that it is really working.

As I say, part of it is tradition. We have ploughing matches where we give prizes for ploughing straight and ploughing clean. We should not be doing that. As an art form, it is fine to carry it on—

Hon. Mr. Sterling: I have a trophy in my constituency office for winning a ploughing match in my county one year.

Mr. McGuigan: I cannot argue with it as an art form, but it is not good agriculture.

Also, our greater population is putting more pressure on the land—not only the increasing population of Canada but also the increasing population around the world. One of the bright spots, until recently, was our export opportunities. We need to export so we can balance our payments.

I can give you a figure from the United States. Until very recently, their exports were running at \$40 billion a year. During the period when oil was so high-priced, that just paid for the oil imports. As a result, they forgot all about soil erosion and said, "Get those agricultural exports out there to pay for the oil imports." We have done the same thing.

Changes in lifestyle and diet are very much a part of it. We are becoming less and less meat eaters as our caloric intake goes down and as we put a lot more emphasis on health. People are jogging and they require fewer calories in their work.

When I first remember people talking about caloric intake, some 3,200 calories a day was the average. It is down to around 2,400 now and for lots of office jobs people need only 1,800 to 2,000 calories. There has been a change away from meat.

With livestock production you have the production of hay, which is a soil building crop, and you have manure going back on the field. Those are soil building situations. However, our changing lifestyle is moving us away from that. Those are some of the changes that are coming in. Of course, some of the changes are in the livestock mix.

I remember when I was at the Agricultural Research Institute of Ontario. It was a body that was charged with overseeing the agricultural research budget in the 1960s. I was on it from 1962 to 1968. We talked a good deal then about the old Malthusian theory. It is still valid. We just keep raising the threshold. Some day the human population is going to outrun the food supply. We see it in many parts of the world.

Hon. Mr. Sterling: Take a look at Ethiopia.

Mr. McGuigan: There are 35,000 people in Africa starving to death right now.

That is the scenario of how things would happen as we gradually got in a tighter and tighter food situation. The first animal to go would be the beef animal, the reason being that it takes approximately 10 pounds of grain to produce one pound of meat on a beef animal. The next to go would be pork, pork coming second because it takes about six pounds to produce a pound of pork on average.

Hon. Mr. Sterling: What would they serve at McDonald's in that case?

Mr. McGuigan: I am coming to that.

Hon. Mr. Sterling: I am sorry.

Mr. McGuigan: The next to go would be McDonald's because the broiler chicken takes about 2.5 pounds, although in some instances you can get it down to two pounds of grain to a pound of broilers. That would probably be the next one. It would not be a long way down the road.

Hon. Mr. Sterling: What was the conversion rate for hogs?

Mr. McGuigan: It is two to 2.5 pounds.

Mr. Riddell: For broilers; pork was six.

Hon. Mr. Sterling: For pork, for hogs, yes.

Mr. McGuigan: The last to go is the old laying hen. She lays eggs all her life and when she is finished laying eggs you put her in the stew pot. It might not be the most tender bird you ever ate.

Mr. Stokes: You would not be either, if you had to go through what a hen goes through.

Mr. Riddell: The price of eggs is not worth the wear and tear.

Mr. McGuigan: Nevertheless, the laying hen is very efficient and so is the milking cow. You milk her all her life, she has calves and you eat the male calves, which are actually castrated. That supplies 25 per cent of our beef. When the cow gets too old to milk, you can eat her. There are lots of good cuts on a dairy cow, too. They are not necessarily tough. They stand in the stall all day and they do not exercise, so they do not have tough muscles.

The last, to go beyond that, if you want to carry it down, is the goat. The goat will forage for itself and live on next to nothing. If you go to the Caribbean islands, you see goats wandering all over the place. They are very efficient animals. If you throw a banana skin down, the goat will eat it. I remember asking, "How can you tell who owns which goat, because they are wandering in the cities and all over?" They said, "At night, they all come home." They know their homes and they all come back.

10:10 p.m.

The last of all are the fish. If you feed a fish a pound of grain, you get a pound of fish. They are the most efficient of all.

What I am coming to is this movement from foraging pasture animals, which is soil building, to those that convert grain to the most efficient way. It is all moving us to a grain economy—

corn, barley and oats. All these crops are soil-degrading crops. Those things have been happening gradually on us, but they are moving along and it is all part of that picture which, by and large, has not been recognized by the ministry. I will return to that later.

What is soil degradation? It is really the loss of the organic matter that was found in these soils by our ancestors. There was an accumulation of the decomposition of the forest or the grasslands, and there was the combination of organic matter and mineral matter. But gradually by working these soils, introducing more and more oxygen, cultivating them more deeply and more often with bigger equipment, you oxidize and burn off that organic matter.

The organic matter is the binder that holds the soil particles together and keeps them from moving. When you lose it you get a loss of structure, a loss of drainage. The Ministry of Agriculture and Food has really built its career and the career of many of its civil servants on the matter of providing soil drainage to farmers. It cites the fact that you get somewhere around 50 per cent increases as soon as you drain the soil. This is true, but we have many soils in southwestern Ontario in which, because of the degrading of the soil, the loss of the organic matter and compaction, which is brought about by continual cropping with the heavy equipment we now have, the water is not going down to the tile.

If you have driven down Highway 401 almost any time in the past four or five years in the summertime, you could have looked out at the fields and seen ponds. They are on every hand, on every type of soil. They are on flat land; they are on the rolling lands through Oxford county and down through Elgin county. Those ponds were not there 10 or 15 years ago. There is tile; there has to be tile underneath those ponds, but the silt gathers in the bottom of the pond, seals it off and the soil underneath it is compacted. It is not going down.

I had a couple of fellows drop in on me madder than hell a couple of years ago. One was the chairman of the drainage contractors in Kent county. The Minister of Agriculture and Food (Mr. Timbrell) had made a remark at some convention they had been at that Jim McGuigan was criticizing the Drainage Act. Of course, the Drainage Act has been the Bible to these fellows, and they came in really with blood in their eyes.

I said: "I am glad to see you. What is the beef?" They told me what the minister had said, and I gave them the story on soil compaction. Both of

these fellows jumped up and said, "That is it." I could not believe they had been converted so suddenly. I thought I was going to have a real battle on my hands.

One fellow said: "I had a farmer phone me up. I had tiled his farm systematically just two years ago. He phoned me up and he said, 'The tiles are not working.' I said, 'You did not put it in right. Something is wrong.'" So the man went out, took his spade out of the back of his car, went into the fields and said, "Let us find out what is wrong."

The topsoil was wet; it was puddly. So he dug down a couple of feet, and it was dry underneath. He dug down to the tile and the tiles were in perfect condition. It was wet on top and the tiles underneath were dry; the water was not going down. You can see these ponds all over southwestern Ontario.

Years ago we used to grow alfalfa hay. We grew long rotations. Alfalfa hay and clovers, of course, have deep tap roots that go right down to the tile. They opened it up. The soil was not compacted from the traffic we have over it, and the water percolated and worked its way down. That is part of the problem.

What happens in a rainstorm in those situations, especially on sloping land, is that instead of working as the drains people always told us—the drains people said, and it was true years ago, as soon as you tile ground and you get rid of that excess moisture, when a rain comes along the ground is in good condition to absorb the heavy rainstorm. It made good sense. It worked.

That does not happen today in these rains. Because the soil just under the surface is hard, when there is a rain it will not penetrate. The surface becomes supersaturated. If there is any sort of slope there, because of the lack of structure, the whole darn thing starts to move—soil and water.

Going down Highway 401, you can look on either side and you see gouges in all of these hills and valleys. There are gouges there and I see them getting bigger and bigger every year. So we have a problem.

The soil conservation people—what do they call those guys? Pedologists or something?

Hon. Mr. Sterling: Agrologist?

Mr. McGuigan: No. What is it?

Mr. Riddell: Pedologist.

Mr. McGuigan: The pedologists; they are the soil people. They have a figure indicating that it is costing Ontario agriculture in southwestern Ontario \$20 an acre or \$45 a hectare just in the value of the chemicals that are washed off an acre each year.

That is not putting any value on the soil itself—the six tons or the 10 tons or the 12 tons. It is not putting any value on that at all. Just the chemicals that are in that soil cost 20 bucks an acre.

Hon. Mr. Sterling: What is the normal yield on an acre of corn? What would be the yield?

Mr. McGuigan: I think the average yield in Ontario is something like 105 bushels. It is just over the hundred. There are many people who are hitting 160 or 175.

Hon. Mr. Sterling: What was corn selling for this year? Corn?

Mr. Riddell: Three dollars. It got up to about \$3.50.

Mr. McGuigan: But input costs per acre are high.

Hon. Mr. Sterling: How much an acre?

Mr. Riddell: It costs \$3.65 to produce a bushel of corn.

Mr. McGuigan: This leads to another area of concern. I have briefly to do a bit of history on it. It really goes back to the Second World War.

We developed all these plants to produce nitrogen. After the war we had cheap nitrogen and we wanted to utilize these plants, so the practice was to bring nitrogen out and put it on the soil. They got phenomenal increases in yield from nitrogen. It took the place of manure, which was the big source of nitrogen before. It took the place of clover, which is a big source of nitrogen.

The theory developed: "Do not worry about the old methods of farming. Just pour on the nitrogen and you get these results." It worked. It was all right until the soil was degraded and it was all right until the price of hydrocarbons—gas and fuel oil—went up. That is, of course, where this nitrogen comes from, so today nitrogen is expensive.

In our whole farm picture, our problem today is to produce cheaply. If we are to compete in the world market, we have to get the cost of production of corn down to less than that \$3.65 or \$3.75, which is the average today. We have to go after that \$20.

A crop of clover, when it is ploughed down, gives about 100 pounds of nitrogen. If you follow a clover crop with corn, you do not have to put down any nitrogen at all; there is enough from the clover. We have to go back to a bit of old-fashioned farming.

10:20 p.m.

Mr. G. I. Miller: You may remember last year, Jim, they took the land out of production

and they gave them so much an acre for seeding it down. They seeded it down and we had a surplus of clover seeds in our seed houses here. Within a few weeks, they were empty because of that policy.

Mr. McGuigan: That gives you a little bit of the problem we have.

Just to touch on the world situation, we have been favoured this last number of years by having big markets overseas, but we have lost some of these markets. One outcome is that grain prices, as far as most people can see, are going to remain where they are or be less. One of the markets we are losing is China. Because of its liberalization and starting to pay the peasants to grow the crops, China is moving towards self-sufficiency. India is already self-sufficient. We used to think of it as a great market and we have lost it. We are going to lose China.

That does not leave much. There is only Russia left. The whole world—the United States, Australia, South America, Europe and ourselves—is trying to sell to Russia. I do not see Russia changing because it is part of its ideology to stick to that system. The Russians are not going to change, but the Chinese are, so we have to get our costs down.

That is the problem I think we are not touching at all with this \$25.5-million environmental area.

Mr. Stokes: How do you get it to the Third World, Jim, to the people who really need it?

Mr. McGuigan: I do not want to answer that.

Mr. Stokes: That is where the problem is.

Mr. McGuigan: They have so many problems over there. Their transportation system is nearly impossible. I do not want to answer that. I can give you quite a bit on it, but it would lead me away from what I am trying to develop.

Mr. Riddell: The simple answer is to help them to develop in other areas so they can afford to pay for our food.

Mr. Stokes: We can buy what they do best and, in turn, they buy what we do.

Mr. Riddell: That is right, but the answer is not to dump food into those areas.

Mr. Stokes: No.

Mr. McGuigan: The other answer, Jack, is that it is not going to happen. With the protectionist movement that is going on in the United States and the protectionist pressures that are coming here, in spite of the terrible suffering we see over there, realistically it is not going to happen. We have to deal with the world as it is, although my heart bleeds for those people.

Mr. Stokes: It has to happen or it is the beginning of the end for all of us. We are in a philosophical and an ideological battle for the minds and the hearts of everybody in the global community. If we fumble it, they are going to go the way of the Communist route, and that is the beginning of the end.

Mr. McGuigan: Canada has actually been a leader in that, but I do not see the Americans doing it. The Americans are talking about their Caribbean base and initiative. They want to put money into the Caribbean to stop the communization of the Caribbean, but they will not take the products of those Caribbean islands.

Look at Grenada. Grenada was starting an agricultural policy of its own. They were making some progress in growing their own food in Grenada. In the year since the Americans have been in there, they have stopped that agriculture dead. They said, "Buy it from us or we will give it to you."

Mr. Stokes: All they got was an airport and they do not know what to do with it.

Mr. McGuigan: That is why I say, Jack, this is not going to happen.

Mr. Stokes: It has to happen.

Mr. McGuigan: I know it has to happen. If the Grenadians grew some bananas or whatever, the Florida fruit and vegetable growers would not let them land them because of this protectionist thing. I want to go back to the other.

Hon. Mr. Sterling: It is not that the other is not critical.

Mr. McGuigan: I could not let that hang in the air. I am as concerned as Jack is.

Mr. Stokes: I would like to hear what your deputy has to say about that. I think he has more knowledge in that area than any of us.

Mr. McGuigan: Let me go on. The \$25.5 million environmental fund is really not touching the problem. I went on a tour this summer of the Rondeau watershed. This is a most critical situation they have, in which the farmers themselves are taking the lead. They are not resisting changing their type of farming; they are leading.

We went from farm to farm to see where this money was being spent. The money was being spent in wonderful ways, I suppose. They have put in a lot of rock and engineering systems to lead the water into the ditch so it does not break the ditch bank down. That is one of the problems following a rain: great rushes of water come down and break the ditches down, and then the

soil goes down into Rondeau Bay, spoiling the fishing and everything else.

I did not see any money being spent back up on the side of the hill. That is where their problem is. Where the water lands on that hillside, the soil is mobile and scoots down to the drainage ditch—

Mr. Stokes: Along with the pesticides and the herbicides.

Mr. McGuigan: —taking the pesticides, the herbicides, the fertilizer and everything with it. They had a lot of good structures there to contain the banks of the drainage ditches, but no money was being spent back on the front lines, and those are the hillsides.

My colleague here spoke about the Americans paying the farmers to plant clover and do these sorts of things. We are doing none of that back on the land, where the problem really lies.

Most of the \$25.5 million that has been spent so far, about two thirds of it, is going to manure storages. It is liquid manure, and that is a very fine way of handling manure as far as manpower is concerned; it is a cheap, easy way. You can operate a big production unit with a few people.

You pump the manure into these storages and then you put it into a big tank wagon that holds 1,000 or 2,000 gallons. There are great big tires on the thing; you put at least a 100-horsepower tractor on the front of it to pull it. You pull it out in the spring of the year, because that is really the only time you can put it on. You cannot put it on in the winter, because it is not absorbed into the ground; it runs off down into the streams.

We have great emphasis today on early planting, so two weeks before that land is fit for the use of a tractor, they go out with a tractor that weighs eight tons itself and is pulling behind it 15 to 20 tons of liquid manure. You can drive around in the spring of the year and see them stuck out in the fields because they break through the surface someplace and go down to the axles.

It was pointed out at the Senate committee that this is the worst way you can apply manure to the soil. I think it was Hugh Bennett, the father of soil conservation in the United States, who said manure was a bandage for wounded soil. That was a great phrase. He was talking about straw manure, solid manure, which has the organic matter. When you take out liquid manure there is some organic matter in it, of course, but it is mostly water and chemicals.

We create the perception among the public that we are doing a great deal towards soil conservation by having this \$25-million program, but very little of that money is going into soil conservation work.

If I could just wrap it up very quickly—well, I think I will go on at the next meeting.

Mr. Chairman: That is not for another year.

Mr. McGuigan: Are we all done tonight?

Mr. Chairman: That is right.

Mr. Riddell: That is a good note to finish on.

Mr. McGuigan: If you would allow me a bit of a wrapup, a lot of co-ordinating needs to be done by this ministry, between environment people, because they are very much concerned with this thing. The phosphorus and all these materials are getting in the lakes. They are upsetting the balance of chemicals. We have the smells and so on that are bothering other people.

One of the last points I want to make is that we are moving to a situation where agricultural policies are starting to be made by nonagricultural people. The farmers have always prided themselves in having control over their own situation, but we now have people saying you cannot make these noises, you cannot make these smells, you cannot put this stuff in the lake. We are letting it slip out of our hands as agriculturalists, and in my view the Minister of Agriculture and Food (Mr. Timbrell) is a party to that, in letting that control slip.

Mr. Stokes: If you think that is bad, you should try to deal with forestry.

Mr. McGuigan: I agree with everything you say, Jack.

You have a co-ordinating role to play in this. I just want to say that I support your secretariat. I know some of my colleagues do not. I would like to see a stronger role for the secretariat, as an advocate to try to do these things.

Hon. Mr. Sterling: I have enjoyed your discourse very much, Jim, because you know much more about this subject than I. However, earlier this month in St. John's, Newfoundland, I was made president of the Canadian Council of Resource and Environment Ministers. Before going to that meeting, having read the Senate report and having dealt with the modification of the soil erosion program which is taking place in September, I became aware, to a lesser extent than you have described this evening, of the severity of the problem and how important it is.

When my staff briefed me for the cabinet's submission on the alteration of the existing Agriculture and Food program, I was so concerned that I said the secretariat should be involved very much in this kind of issue. It does really affect three ministries in a key way. So, before I went to the conference, I consulted with

the Minister of Agriculture and Food, and with Charles Baldwin and the Premier.

Coupled with the CCREM conference in Toronto next year, I have indicated I am going to hold a major conference on soil erosion problems, for the first time in Canada, bringing together the public, the agricultural community, conservationists and environmentalists. It would be very similar to the one that dealt with water quality and quantity put on by the Ministry of Natural Resources this year.

I have been getting very strong support from the Minister of Agriculture and Food on it, so I guess I already have taken in some way an advocate's role. Now, when you are dealing with soil erosion, it is not a topic that hits the front pages of every—

Mr. McGuigan: It is starting to.

Hon. Mr. Sterling: More so in southwestern Ontario than in eastern Ontario, which I represent, because we are not as far down the road with respect to the development of some of our land as you are in southwestern Ontario. It is starting to hit the headlines, though, and it is a longer-range kind of topic. I hope out of that initiative we will be able to raise the public awareness of the severity of the problem and we will be able to draw on the experience of some of the international people we bring in, to know what kinds of programs we can face.

Mr. McGuigan: There is one caution I would like to make, if you will permit me the time. I was at a conference of a group of agriculture people this summer. One of them pointed out that we already know enough to do all kinds of things, if we would only make a beginning. I do not want to take away from the idea of having a conference to raise public awareness, but with something like the acid rain thing, we have studied the damned thing to death and we do not do much about it. That still bothers me. We have had two or three soil conservation conferences in the last six or seven years, but we do not do much about it.

Hon. Mr. Sterling: To gain support from within, I guess you have to have pressures from without. In some ways, that is what I am trying to create in what I am doing. I agree it is not a huge step, but it is a small step in the right direction.

Mr. Riddell: Despite what my colleague says, there is room for livestock production.

Mr. Stokes: I am going to make a motion that we increase these estimates by \$10 million so the minister can do all the things he wants to do.

Mr. Chairman: Is the committee ready to vote on vote? Shall vote 1901, items 1 and 2, carry?

Vote 1901 agreed to.

Mr. Chairman: Shall these estimates be reported to the House?

Agreed to.

Mr. Chairman: This completes consideration of the estimates of the Provincial Secretariat for Resources Development.

We will be back at 10 o'clock tomorrow morning with the estimates of the Ministry of Energy.

The committee adjourned at 10:38 p.m.

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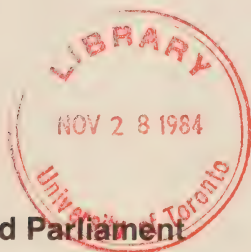
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Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of Energy



Fourth Session, 32nd Parliament
Wednesday, October 31, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, October 31, 1984

The committee met at 10:12 a.m. in room 228.

ESTIMATES, MINISTRY OF ENERGY

Mr. Chairman: We are ready to start the estimates of the Ministry of Energy. I would like to welcome all members to the committee, both those who are substituting and those who are regular members of the committee.

I believe the minister has a brief opening statement to relate to us all to set the pace for the 12 hours we are going to be spending together.

Hon. Mr. Andrewes: Mr. Chairman, there was some discussion with members of the committee about time allocation, and I hope that, for the sake of not holding a lot of people here for a long period of time, we can have some agreement on that time allocation.

Mr. Chairman: It would probably be a good idea. There are two or three people with whom I imagine we all want to visit and chat during the next few days. I think the minister had some suggestions concerning a day at the Ontario Energy Board.

Hon. Mr. Andrewes: The member for Chatham-Kent (Mr. Watson) has had some discussions with the two critics. It has been suggested that we would spend today and tomorrow evening on the opening statements and general ministry matters; that we would spend next Tuesday evening with the Ontario Energy Corp. and the Ontario Energy Board; and that we would spend next Wednesday and Thursday on matters pertaining to Ontario Hydro, whose chairman and president I would ask to be here at that time.

If that is reasonable, we will proceed on that basis.

Mr. Chairman: If all members of the committee can notify their colleagues in their own caucuses that this is the schedule we will operate on, then we will have the right people here at the right times. Is that agreed? Fine.

Hon. Mr. Andrewes: Mr. Chairman, members of the committee, I am pleased to present the Ministry of Energy estimates for the fiscal year 1984-85. I would like to review with you today the energy environment, discuss the relationship between energy and economic issues, indicate the short- and long-term direction of our energy

policies and tell you about some of the activities undertaken by the Ministry of Energy.

When we speak of energy we are speaking of a tremendously complex set of relationships and issues. Since energy is a factor as essential to production as capital and labour, we are speaking of a central dynamic of industrialized nations. We are speaking of a force that touches every aspect of modern life from leisure, food supply and employment to inflation, productivity and international relations. Energy must be seen as a part of the integration of the global economy in which nations are simultaneously allies, partners, customers and competitors.

The energy issue also includes many players: the producers, the distributors, the regulators and the customers. Although the producers and suppliers constitute the most visible segment of the energy picture, energy is consumed by everyone in our society. In Ontario our industries use up most of the total energy, about 37 per cent; the transportation sector follows with 27 per cent of consumption; 22 per cent goes to the residential sector; and the province's commercial and institutional sector utilizes the remaining 14 per cent.

Numerous industry organizations, such as the Association of Major Power Consumers in Ontario and the Ontario Industrial Gas Users Association, exist to represent the concerns of energy users. Today energy is a social as well as an economic issue. Citizens are interested in topics such as the transmission of electricity, nuclear waste management, industrial pollution and acid rain.

It is up to the government to provide leadership and direction to these many groups, to maintain a sense of balance and to accommodate the differing viewpoints and interests. For example, earlier this year the ministry convened a major conference of gas users. We feel it is important to hear from major energy consumers. It is important to find out their concerns.

It is also up to the government to represent the general public in energy matters, especially those affecting their daily lives and their economic wellbeing. The ministry's mandate is to ensure a supply of energy adequate to meet the needs of Ontario residents and industry at reasonable

prices and consistent with the protection of the environment.

To evaluate whether or not prices are reasonable, we ask the following questions: Do energy prices allow room for economic growth in Ontario? Do they represent a balance and incorporate the interests of buyers, sellers and customers? Do they promote prospects for energy self-sufficiency?

The ministry's strategy of ensuring a secure supply of energy at reasonable prices is supported by the following program planning themes:

First, supporting the development of energy sources, both conventional and renewable;

Second, promoting the efficient use of energy, particularly through new technologies;

Third, encouraging the substitution of more abundant sources of energy for oil; and

Fourth, developing our indigenous capability in both energy supply and technology.

The ministry also has an essential role as facilitator. It supports research and development, assists in the startup of pre-commercial energy technologies and actively participates in national energy policy discussions.

A part of the ministry's policies and programs is implemented through agencies such as the Ontario Energy Corp. and Ontario Hydro. The Ontario Energy Board is another agency associated with the ministry. It is responsible for regulating Ontario's natural gas utilities, reviewing Ontario Hydro's wholesale electrical rates and dealing with other province-related energy issues, including energy transportation and distribution. Representatives of these agencies will be present during the estimates to answer questions and to expand upon my remarks today.

10:20 a.m.

Last, I should mention that the Ministry of Energy is in the process of reorganizing. The new structure will put us in a better position to balance our long- and short-term priorities. It will allow us to be proactive in dealing with changes in the energy environment and to focus our efforts on the programs supporting this government's goals of technological, economic and industrial development.

The experiences of the last decade and the events of the past weeks indicate that the present is not always a reliable indicator of what will happen in our energy future. We have gone through a period when energy was plentiful, through a time of world shortages, to a point where supply once again comfortably meets demand.

To implement responsible and responsive policies in a period of change and uncertainty, government strategy requires not only long-term planning, but also short-term flexibility. The Ministry of Energy is actively pursuing both.

Successful strategy development demands an understanding of the forces at work in our society. I would like briefly to review them with you.

The economies of all nations are undergoing significant structural changes. Furthermore, we are living in a world of increasing economic linkages. A local political disturbance, a debt crisis in one country, a new tariff restriction in another, all reverberate through the global economy, causing ripples in our own society.

Energy is a vital component in our restructured, interdependent world. Oil is still the energy source that continues to determine economic development and rates of growth. In the future the supply and demand of energy will be determined not only by rates of economic growth but also by the extent of structural adjustments in national economies. Those adjustments will have to include improvements in overall energy efficiency and shifts from oil to other sources of energy.

Energy policies will have to take into account not only economic forces, but sociological and demographic changes as well. Within the energy sector itself, attention will have to be paid to improved distribution systems, exploration for new energy sources and more efficient process technology.

Ontario energy policies must be seen in the context of the international scene. However, the Ministry of Energy must also deal with economic realities closer to home. Today, energy policies must reflect the overall goals of the Ontario government, whose efforts are directed to meeting the demands of a changing world.

Over the past two years there has been a resurgence of growth in the Ontario economy. This growth has been helped along by the strong United States economy. Provincially, it is being assisted by a high level of exports to the United States in the automobile sector.

While the economy has improved and inflation rates have fallen, unemployment remains at an unacceptably high level. Job creation is a major goal of this government. Looking down the road of our province's future, the government's first priority in the years ahead is to maintain and build up a sound economic foundation that will support our social structure and strengthen our social systems.

The key to this kind of future lies in the creation of jobs through the strengthening of our businesses and our industries. Fully one third of Ontario's products are exported. The competition in the international marketplace is tough. To maintain and improve employment levels and to keep our industry strong, Ontario must have a competitive manufacturing sector.

To compete, we must raise our productivity. This means bringing improved technologies into the work place. It also means planning how we utilize technology, how we allocate resources and how we manage our enterprises. It means being sensitive yet assertive in how we market our products and services. It means being creative in how we train, motivate and reward our labour force.

An essential factor in diversifying the economy, in restructuring for growth and in matching international competition is the necessity of a secure energy future. Industry cannot expand the number of jobs, improve efficiency or become competitive without a reliable energy supply at a reasonable price.

Based on this reality, our policies are: to ensure that energy resources contribute to economic growth; to make sure that energy policies respond to our provincial requirements; to formulate fair policies for all in co-operation with the federal government and other provinces; and to work towards energy security and self-sufficiency.

A well-rounded energy policy takes into account future scenarios along with current issues. Our ministry economists and planners analyse world and national trends. They work together with other authorities such as the National Energy Board, the Ontario Energy Corp. and Ontario Hydro to get a picture of the future energy environment.

Right now, oil provides 37 per cent of our provincial energy use, down from close to 50 per cent a decade ago. We expect oil consumption to continue to fall by about two per cent a year for the rest of this decade. Natural gas accounts for about 33 per cent of our consumption of energy and electricity about 17 per cent. The demand for both is expected to rise.

The main current issue in the debate about energy is pricing. Many of Ontario's key industries such as pulp and paper, steel and petrochemicals, are large users of oil and natural gas. The price of these fuels represents a genuine concern for our province. In recent years our economy has had to adjust to increasing energy prices. This has proved costly in terms of lost

output, unemployment, inflation and erosion of the industrial base.

For example, increases in prices between 1979 and 1983 raised the province's costs for crude oil and natural gas from \$4.7 billion to \$9 billion annually. The estimated cumulative impact of energy price increases over this period was a three to four per cent reduction in Ontario's total real output and a potential loss of about 90,000 jobs.

Over the past year, oil and natural gas prices have remained relatively stable. This price stability reflects the current world oil supply situation and the decline in world oil prices. Changes in Canadian oil and gas prices will continue to be strongly influenced by world oil price developments.

Our primary focus in the immediate future is on natural gas pricing and on the petrochemical industry.

A major portion of provincial trade is carried on with our neighbour to the south. Businesses from Ontario are competing with their American counterparts. The problem is that we are handicapped by the costs that accompany long distances, a cold climate and a small domestic market.

On the positive side, we have a skilled labour force, technical knowhow and a stable manufacturing sector. These strengths of ours should be enhanced through the competitiveness of the Canadian energy pricing structure.

Currently, Ontario industrial customers pay a high price for natural gas from outside this province. Despite a plentiful supply, natural gas prices have nearly doubled in Ontario over the past five years. In the United States, on the other hand, the forces of supply and demand have turned the natural gas market on its ear.

As a result, the US market has become more open and competitive. Many special supply and pricing arrangements are available to large gas customers. In 1983, many US manufacturers were able to obtain natural gas at substantially lower prices than a year earlier. In contrast, prices to Ontario industry went up.

The decline of our dollar relative to the US dollar earlier this year has helped a little. However, our competitive outlook remains serious, particularly for energy-intensive industries.

10:30 a.m.

At the same time, Canada's supply of natural gas exceeds demand. Production of natural gas exceeds demand. Producers of natural gas are looking for markets, and it is not only in

Ontario's interests but in everyone's interests to have a natural gas pricing policy reflect those current market realities.

For our province, this is crucial. Without competitive domestic gas prices, industry is placed at a serious competitive disadvantage. We believe under present conditions it is unrealistic to peg natural gas prices at 65 per cent of the price of crude oil. For Ontario, continued high gas prices could result in discouraging and even decreasing sales of natural gas to industry. The Economic Council of Canada and the federal petrochemical task force have made arguments basically similar to our position.

Natural gas transportation costs are very high. Transporting natural gas through TransCanada PipeLines costs almost a quarter of the wholesale price of natural gas. This is an issue that the ministry has actively pursued at TransCanada's annual rate hearings before the National Energy Board, and we have a key role to play here in representing the interests of Ontario consumers. Several of the National Energy Board's decisions have reflected positions we have recommended.

I would like to say a word about the Alberta and federal governments' incentive pricing plan for industrial gas. Under this program, some incentives are provided to large-volume industrial customers to maintain existing purchases. Larger incentives are offered to customers making new purchases. The incentive pricing plan is a welcome step in the right direction. However, most gas customers from Ontario are part of our mature industrial structure. They are not able to take advantage of the incentives offered in the plan for new gas purchases. What is needed is a lower price for all gas purchases.

Petrochemical producers using oil, particularly those in eastern Canada, also face serious problems with respect to competitiveness. The primary petrochemical industry and its immediate customers represent Ontario's second-largest manufacturing industry in employment. More than a thousand jobs depend on this industry.

Let me pause for a moment and briefly explain what the petrochemical industry as a whole does with natural gas and oil. The industry uses these resources in two ways. The first is to use natural gas or oil as an energy source—in other words, to burn them in order to drive their operations. The second way is to use oil or natural gas as a feedstock. This means chemically changing the raw product into a substance that can ultimately be made into a marketable end product.

Primary producers such as Petrosar in Sarnia manufacture petrochemicals from oil or natural

gas. In turn, their customers—Du Pont or Union Carbide, for example—convert these petrochemicals into plastics and synthetic rubbers. They are eventually turned into consumer products such as tires and carpets.

When oil or natural gas is upgraded by the petrochemical industry and its customers, it creates employment for a large number of people. Furthermore, these products are energy efficient since they generally require less energy to produce than do similar products made from other materials.

Contrary to popular belief, Ontario industries do not have a price advantage regarding Canadian oil. Taking into account taxes, royalties and transportation costs, our local manufacturers end up paying prices close to, if not equal to, world prices for oil from Alberta.

The ministry has been working with the industry to assist and advise it on ways of improving its efficiency. For one, plants could be modified so they could use other energy sources besides oil. Any planned changes, however, make sense only if the industry knows it can count on competitive feedstock prices.

Ontario participates in the national goal of achieving energy self-sufficiency through the Ontario Energy Corp. and Trillium Exploration Corp. The OEC is the commercial instrument of Ontario's energy policy. It encourages investments in innovative energy projects. It assists in the exploration of new energy sources. It also supports processes that use energy more efficiently. OEC's business activities are wide-ranging, from conventional oil and gas to alternative energy and energy in transportation.

OEC balances its public policy objectives with the realities of the commercial world. This does not mean it competes with the private sector. It does mean that as a well-run, businesslike corporation it has a bottom line. It needs winners to continue its operations.

The Premier (Mr. Davis) and I recently opened a winner, the hydrocracker project at Suncor's Sarnia refinery. The \$335 million spent on that project created 1,300 jobs during peak construction, virtually all in the Sarnia area. Close to 90 per cent of the contracts during construction have been awarded to Canadian firms, the majority of them from Ontario. After the construction phase, an estimated 100 additional permanent employees will be required to operate and maintain the new facility.

With the hydrocracker, Suncor will reduce its use of crude oil by some 25,000 barrels a day. At

the same time, it will produce the same quantities of transportation fuels as previously.

Ontario's Trillium Exploration Corp. has been involved in six of the seven frontier oil and gas discovery wells drilled on Canada lands since February 1, 1983. Through Trillium, Ontario has a five per cent interest in one of the world's biggest oil finds, the strike at Terra Nova off the coast of Newfoundland.

The president of OEC will be here during the estimates to explain its investment portfolio in detail and to answer any questions you might have.

I would now like to deal with the question of electricity. When we talk about energy self-sufficiency in Ontario, we have to talk about electricity. Our best assurance of security of energy supply is the development of the electric power potential of our hydro resources and uranium.

Electricity is Ontario's great resource. I think it is safe to say that in the long term, electricity and economic opportunity will go hand in hand. When we consider the problems encountered with oil and energy pricing arrangements, and when we take into account the predictions that future economic growth in Ontario will require additional energy supplies, the strengthening of Ontario's electrical system represents a significant provincial energy strategy.

There are three obvious advantages in continuing to develop electricity. First, it gives our province greater control over its energy future. Second, we can harness our indigenous resources through our own local engineering, construction and manufacturing capabilities. Third, in the years ahead, high technology will open up many new possibilities for electricity. When used in industrial processes, this will have a great positive impact on economic growth and the creation of jobs in our province. Industrial applications of electricity will also contribute to the competitiveness of Ontario industries in the marketplace of the 1980s.

During the last few years, overall electricity consumption was affected by the recession and by the accompanying drop in economic activity. The recent improvement in the economy has led to recovery in the sales of electricity. Electricity consumption in Ontario in the first eight months in 1984 was nearly eight per cent higher than in 1983.

10:40 a.m.

In the future, electric utilities such as Ontario Hydro will have to operate in a changing and an uncertain environment. The current generation

base of coal, uranium and hydro power is well established. We have a secure, competitively priced supply of electricity to meet the needs of the next decade.

Planning for future electrical generation will require flexibility. It will require examining new options for supplying electricity, including purchases from neighbouring utilities, as well as improving present methods and systems. Environmental concerns and conservation efforts will continue to be important considerations.

Other areas of focus will include improved transmission capability, load diversity and load management. Generating options which are already being considered include working with private power producers, cogeneration, additional hydraulic generation and the use of alternative technologies. I invite members of the committee to ask Ontario Hydro representatives questions about the many new developments in electricity generation.

I would also like to mention that we are very much aware of the needs of communities not connected to the electricity grid. Ontario Hydro, with the federal government and the province, has already brought electrical service to an increasing number of remote communities. We will continue to install new systems in the future.

The key to choosing among the various electricity supply options will be the long-term impact on rates. I am confident our rates will remain as they are now, among the lowest in North America.

The ministry has prepared a financial overview of Ontario Hydro called *Electricity in Ontario*. This booklet is now available, and I have brought copies along. You might find it of some interest. We have a package of material I would like to distribute following these brief remarks. We have a strong and reliable electrical system. It makes sense to use it.

To encourage industries to use electricity, Ontario Hydro is offering new, cost-based, incentive rates. The Ministry of Energy, as part of its support for the wise and wider use of electricity, is cosponsoring two workshops. Industrial electric heat will be the subject on November 15, 1984, and ground source heat pumps will be covered on January 10, 1985.

Nuclear power generation is an important component of the Hydro system. I might mention that retubing at Pickering is on budget and on schedule. The smooth progress of this work makes us confident that tube replacement does not dramatically decrease the value of Candu units.

The long-term nuclear fuel waste management program is progressing on schedule. Atomic Energy of Canada Ltd. will report on the concept assessment phase in April 1988.

As a final note, I want to congratulate Tom Campbell on his appointment as chairman of Ontario Hydro. His fresh ideas and solid background make him well suited to lead Hydro in these uncertain times. Milan Nastich, of course, retains his responsibilities as president of Ontario Hydro. I would like to thank him for his significant contribution as acting chairman for the period preceding Tom Campbell's appointment.

It is rather interesting to note that Milan Nastich's services to the corporation and to the province are recognized not only by the government but by the community. Yesterday evening, B'nai Brith paid tribute to him as a distinguished Canadian who has provided outstanding leadership to the province's electric industry.

Energy costs are part of every economic decision undertaken in our province. By the same token, energy savings, through greater efficiency, new technology and changed consumer behaviour, are also economic decisions.

The Ministry of Energy was created to deal with the hard economic realities of the 1970s. Ontario was the first province in Canada to adopt significant conservation strategies in its residential, commercial, industrial and transportation sectors. The ministry has been promoting energy efficiency and off-oil conversion in the community at large—in homes, schools, work places, factories and farms.

Our programs have aimed to reduce the amount of energy consumed per capita, per square foot of building space and per unit of industrial output. The message has also been to replace oil with more abundant or alternate energy sources. Substitution efforts have focused on natural gas and electricity, as well as on the use of renewable forms of energy, such as wood and municipal waste.

For a full review of our programs and projects, committee members can refer to the document that will be attached and in your packages at the end of my remarks. It contains information on all our conservation, alternative energy and research activities.

New ways of using and producing energy require new utilization and production technologies. Examples I might mention are alternative transportation fuels, solar energy and energy from waste. Another project, developed with

ministry funding, is the condensing gas furnace, which cuts gas use by over one third.

With respect to energy technologies, the ministry wants to concentrate on those which users will find economic and on those which will sell. Not all new developments are winners that lead to commercial products. However, the ministry has helped to develop a number of promising new technologies to supplement or replace fossil fuels.

Our propane and natural gas for vehicles activities have been remarkably successful over the past few years. More than 60,000 vehicles have been converted, and a strong industrial base is in place to supply both equipment and fuel.

Solar technology is becoming a solid business. About 75 per cent of Canada's \$30 million-a-year solar industry is currently based here in Ontario. We are continuing to support these companies to improve their products and markets.

In the energy from waste area, the go-ahead has been given to the first modern municipal solid conversion waste plant at London's Victoria Hospital. This flagship project will use the best state-of-the-art combustion and pollution control systems.

In our promotion of commercial opportunities, we are not letting research and development fall by the wayside. We assist and encourage research efforts in high technology areas having a long-term potential—areas such as hydrogen and fusion systems and electric vehicles. Our support of fusion-related development focuses on the application and extension of current knowledge of the Candu system—such things as tritium handling—to fusion fuels technology.

I think it is safe to say the ministry's efforts in the energy efficiency and energy technology area have borne good results. Look at the pulp and paper industry. This industry requires a large amount of energy for its operations. In recent years, it has replaced much of its oil and natural gas with energy from wood waste and spent pulping liquor. These alternatives now provide close to 45 per cent of its energy needs. In addition, the industry's purchased energy use per unit of output has been cut by about 20 per cent.

There is no doubt that the private sector in Ontario is participating more and more in energy efficiency investment, in the commercialization of new products and in research and development. The private sector is getting the message that there is money to be made in areas such as energy management. Enterprising engineers and

other experts are selling their energy savings knowhow.

Today more than 600 companies offer energy products to the Ontario market and more than 2,000 contractors are available to install them. These range from major outfits such as Johnson Controls Ltd. to owner-operator businesses installing insulation and weather stripping.

10:50 a.m.

Increased business and user participation in energy efficiency and technology decisions means the ministry can now shift its role from that of initiator to that of adviser and facilitator. What we will continue to take the lead in is spreading the message that better energy use means better business.

Despite the progress, our energy consumption per capita is still among the highest in the world. The ministry has a big marketing job ahead of it. Unnecessary consumption of energy increases costs, contributes to inflation and hampers economic performance. Energy efficiency reduces costs and improves economic performance. Improved industrial efficiency leads to higher earnings and to more capital for investment. More investment means more jobs. Jobs are what we are looking for in this province.

Energy technology development generates local business and export opportunities for manufacturers in Ontario. As a trading province, this is crucial to us. That is the short-term view. The long-term perspective is that, as a consuming province, we can improve both our energy supply and our energy price security through more efficient use of energy.

As technologies become more sophisticated, new processes that increase energy efficiency are continually being developed. For example, the cost of solar energy for commercial and industrial applications has dropped by one third over the last three years.

The solar installation at E. D. Smith and Sons Ltd. in Winona illustrates the state of the art of solar technology. Just a few weeks ago, I participated in the opening of a ministry-sponsored grain dryer project in Guelph. Here is one more example of increased energy efficiency through the application of new technology.

I should add a note of caution here. There is no doubt that interest in energy efficiency programs and alternative energy technology wanes when oil prices go down. Nevertheless, shifts in user perceptions and behaviour appear to be here to stay. This brings me to a very important side of the energy question, namely, the demand that we as consumers bring to bear on the system.

I said earlier that energy is a global issue. It is also an individuals' issue. Governments can set objectives and develop programs, but the final energy decisions are made by individuals.

Consumers have started to take a long, hard look at their energy options. They have started to turn away from oil to natural gas, electricity and other sources. They have also started to use energy more efficiently.

Today, we use about eight per cent less energy per unit of economic output than we did in the mid-1970s. Currently, oil meets about 37 per cent of the province's secondary energy requirements. In 1975, it was 46 per cent. The force of consumers' choice is making itself felt.

Energy suppliers are increasingly facing a buyers' market. The result is increasing competition between different energy industries. Because of slower demand and greater choice, today's buyers can shop around to find the most economical form of energy, as well as the cheapest seller of a particular energy source.

The success of energy industries will increasingly depend on delivering a unit of energy to the customer in the most effective way. Part of the new set of supplier and government attitudes will have to include an increased sensitivity to market needs, and the willingness to respond and adapt quickly and creatively to changing market requirements.

In conclusion, we are very fortunate here in Canada. Our hydrocarbon, coal and hydroelectric resources, and our highly efficient nuclear power industry, provide us with the capability of achieving energy self-sufficiency. Our country's long-range concern, however, still continues to be its dependence on the vagaries of the international oil market.

For its part, Ontario continues to support the objective of Canadian energy self-sufficiency. As I have said, we are not insulated from international events.

The Ministry of Energy's structure and goals have represented Ontario's attempts to deal with the volatile international and national occurrences of the past decade. With our new organization and orientation, we will continue to develop policies and programs in response to the new and changing conditions outside of our borders.

On the national level, a new Canadian energy future is in the making. The Ministry of Energy will actively participate in the process leading to a new national energy policy. As always, it will represent the interests of Ontario's energy users.

The immediate issues of concern to Ontario centre around energy availability at the right price, and economic growth. Within the province itself, we will continue to ensure fair prices and access to a variety of energy options for our residents and industries. Our local energy resources, our homegrown technologies, and our strong local energy infrastructure place us in a good position to meet the challenges ahead.

Mr. Chairman: Thank you very much, Minister, for that excellent opening statement. There may still be some questions, from the opposition and members of the committee.

Mr. Stokes: Either your humour or your partisanship is showing.

Mr. Chairman: No, I was convinced it was a good opening statement. Mr. Kerrio, I guess you are the first to make your remarks.

Mr. Kerrio: Now that we have got past the good news we are going to deal with some of the realities of this ministry. I suppose the first one that comes to mind is an offshoot of—how would I characterize the events, yesterday, in the Legislative Assembly? The Premier described what happens among the ministries as being like appearing before an appeal tribunal. The indications were that the Ministry of Energy came out second best. When we look at the estimates, we begin to realize that some of the things discussed yesterday, as relates to the Premier and the Treasurer (Mr. Grossman), are beginning to have some effect.

I wish to open my remarks with a discussion on the proposed budget cuts of your ministry. One cannot look at the proposal to cut the budget of the Ministry of Energy by some 15.2 per cent without being reminded of yesterday's events in the House.

I do not think it is a coincidence that your budget is now being slashed, when the Premier and the Treasurer have just returned from an appeal tribunal of Standard and Poor's in New York with a determination to meet the stringent requirements of the bond rating agency. The Environment budget, which I have a very keen interest in, has been cut as well by some eight per cent.

I would like to state my concern at the outset that your government would allow itself to be dictated to by a Wall Street bond rating house, which in turn might have an impact on many of the other ministries that will have to fall in line in order to keep our triple-A rating. I would agree that there is waste in government spending that should be eliminated, but I am not convinced that

in your haste to cut your own budget you took the appropriate steps.

11 a.m.

I would now like to look in some detail at the cuts. The largest percentage were made in the renewable energy and conservation budget lines.

As I understand it, you plan to cut renewable energy 18.4 per cent, reducing its budget by \$3.6 million from \$19.6 million in 1983-84 to \$15.9 million in 1984-85. You plan to cut the energy conservation budget line by 19.7 per cent, reducing it by \$4.4 million from \$22.3 million in 1983-84 to \$17.9 million in 1984-85. Looking at the 1982-83 actual expenditures for conservation, which were \$26.8 million, the two-year reduction totals \$9 million, representing a 33.6 per cent drop.

That does not come as a surprise to me, Minister, because of the fact that if we were trying to sell the kind of electricity that is being produced by Hydro, it would appear that it is not in your best interest to pursue energy conservation at the same time as we are overbuilding Ontario Hydro.

To put it mildly, I would say that you are cutting your renewable energy and energy conservation programs, yet it is just these programs that are supposedly an integral part of your ministry's mandate. These programs are also part and parcel of your government's "Energy Security for the Eighties" policy.

I would like to know what happened to your policy. It appears as though you are walking away from it. How do you expect to achieve the goals of the policy, which states that Ontario should generate 15 per cent of its energy from renewable and recoverable resources by 1995, and supply a minimum of 35 per cent of its energy sources from within the province?

Sure, I understand that times have changed, and that 1984 is much different from 1979, when the policy was announced. We no longer face severe oil shortages, and the energy picture is much more stable.

I must interject at this juncture, Minister, that the people of Ontario are wondering why we have not achieved any kind of stability. You might have given us some stability in pricing by the purchase of Suncor, by having some lever there, as well as the big investment we have made.

It is not uncommon for people to drive from one city to another and encounter such a tremendous difference in prices that there is no common sense to it at all. That window you have into the industry may as well have a blind over it,

because you are doing nothing for the consumer relating to reasonable, stable prices.

Your government has seen fit to go into the management of rental accommodation, and we see the Thom commission report. In some areas you do a tremendous job of trying to hold things down, to have some kind of uniformity in what it costs people to be housed. However, you cannot, by any stretch of the imagination, decide in this day and age that transportation should not be considered just as important, when people have to go to their jobs and do the various things they have to do, and that you should not have by now given some stability to that particular market.

The fact is that when we get into this renewable energy conservation, it now appears that you have backed away from the program and will wait until another wave of short oil supply or increased prices by the cartels pushes energy prices beyond the reach of many people.

I agree with your arguments, stated previously in the House, that the private sector should be given more responsibility in aiding the development of conservation and renewable energy programs. I am not convinced that the slash of relatively small budgets for these programs will achieve the desired results.

I would like you to tell me how you think reducing your budget and cutting these programs will spur on the private sector. I would like you to inform us as to your projections regarding increased private sector involvement that would take over the shortfall in money that you put into that very important area.

I think it is very important that you not cut the budget lines for conservation and renewable energy. In fact, they should be increased by some four per cent, the current rate of inflation.

Your ministry continues to demonstrate a commitment to the programs that constituted your energy policy for the 1980s. There are other areas that could be cut. The biggest cut could be made in the energy investment budget line. Of course, I am referring to Suncor.

You talked about a new federal policy. I am wondering if you know more about the new federal policy than we do. Where does Suncor fit into the scheme of things of the national energy policy, which is now talking about selling off much of the holdings to the private sector, and in all probability cutting some of the areas of investment in new finds. I am sure it was the initiative of the federal government, which you took pride in boasting about in your opening statement, that led to some of the finds because of

advantages given to investments in the oil industry.

I see that your debt service charges for Suncor constitute close to 60 per cent of the entire Ministry of Energy budget. I see your interest and capital payments for 1984-85 are calculated at \$69.25 million.

That purchase of a one-quarter interest in the United States-controlled oil company has to be one of the biggest, all-time mistakes of the Progressive Conservative government. Besides laying out \$650 million up front to purchase the 13 million shares, the government is paying an unbelievable amount of interest on the \$650 million it borrowed, which will drive the final cost above the \$1-billion figure.

As of the end of September this year, total interest charges have been \$254 million, offset by the paltry \$28.7 million the government earned from dividend payments. I use that term advisedly. Certainly, \$28.7 million would not be paltry in some instances, if you were putting it to good use, but comparing what we pay out in interest charges to what we receive on dividend payments makes it obvious to everyone.

The government is out of pocket a net \$225 million in interest payments. Added to the \$650 million, the total net cost to the government for owning Suncor is already \$875 million.

That, Minister, is a lot of money. It represents a tremendous waste of financial resources. It speaks of poor planning and financial decision-making. No wonder Standard and Poor's was considering cutting Ontario's credit rating.

What concerns me is that your ministry did not, as any good financial manager would, recognize the mistake and cut your losses, get out there and free up funds for other uses.

In the next two years, the government will lose another \$200 million on the Suncor investment in interest payments alone. Under the circumstances, I do not think you should be calling this particular budget line "energy investment." It should be renamed to properly reflect its function. It should be called "Suncor's energy giveaway," or you could call it simply "energy losses."

It is my understanding—and I hope you will correct me if I am wrong—that the \$69 million for energy investment pays only the debt service charges of half the initial \$650-million payment.

Hon. Mr. Andrewes: Do you want to say that again?

Mr. Kerrio: Correct me if I am wrong when I make this comment: the \$69 million for energy

investment pays only the debt service charges of half of the initial \$650-million payment—

Hon. Mr. Andrewes: Interest and principal.

Mr. Kerrio: —to the 10-year note that is held by the US parent company, Sun Oil of Radnor, Pennsylvania. It does not reflect the \$650-million cash payment made by the Ontario government. Could you undertake to bring us up to date on the debt service charges associated with the borrowing of the \$325-million down payment?

To get back to the point, I recommend that you eliminate the energy investment, cut your budget accordingly, reallocate funding back to conservation and renewable energy, and maintain your energy strategy for the 1980s.

11:10 a.m.

While you have cut most of your programs—and, Minister, I hope you will make a special note of this—I note that you have increased the budget for ministry administration by 12.4 per cent, up \$806,000 from \$6.5 million in 1983-84 to \$7.3 million in 1984-85.

My simple question is, why? Why are you increasing this budget, when the whole ministry is being cut back? It does not make sense. It appears that you have succumbed to the old adage that as a bureaucracy gets older, it tends to get top-heavy and self-serving. Is that what this is? Are we seeing a fattening of bureaucrats who are having less and less to do?

A close examination of the ministry administration budget line shows that administration services will be increased by a whopping 21.2 per cent. I would like that explained. Are you expanding staff? Are you giving pay increases? What causes that rise?

You have increased your propaganda program, information services, by nine per cent. Is this to purchase mirrors and smoke for campaigns designed to cover the reduced activity? You know as well as we do that there is a message in your estimates here that appears to digress from those areas in which the promise was made and goes into increasing the administration of your ministry.

Ontario Hydro borrowing continues unabated—\$2.5 billion this year, with plans for \$2.9 billion next year. Its accumulated debt is now more than \$20 billion, equal to the total borrowings of Ontario for all other programs, including hospitals, roads, schools and municipal assistance.

Debt service charges are primarily responsible for Hydro's need to increase rates at twice the rate of inflation. Hydro asked for a 10.3 per cent

rise to remain financially sound, but was allowed 8.6 per cent by the Ontario Energy Board.

Now there is grave concern on my part here that your ministry continues to support Hydro in what might be properly described as the kind of free rein that hardly exists in the private sector or in social involvement or anywhere else.

You know that in a corporation, whether it be Bell Canada or whoever, there are generally meetings of the stockholders and there is some input from the people who make the investments. Except for the fact that it has been given a mandate by the Ontario government, Ontario Hydro does not answer to anyone. Over the years it has been proven it does not have to answer to you.

As we move into this new energy picture, I wonder whether there should not be an assessment, whether you might not be the minister who decides, because no one has to this juncture, that there will be a new order of things. You can bring many facets of modern involvement and investors and everything else before a tribunal here at Queen's Park where you can, as the Minister of Consumer and Commercial Relations (Mr. Elgie) has done, take over huge private investments.

Is it not about time the government itself, through the minister, should decide that we should have a little more to say about where this huge utility is going? If we can now get into the private affairs of many investors and private entrepreneurs in the country, should we not ensure that Hydro be much more answerable to the minister?

I know they co-operate, and it is in their best interests to do so, because they should protect that mandate. However, at this very table I heard a former minister make promises to the select committee, and on the very same day or the day after, the then chairman of Ontario Hydro suggested to the minister that he was not free to make those kinds of commitments and that he, the chairman, would make the final determinations.

I thought he hauled up very short on that minister's chain and let him know, in spite of the glowing descriptions Ontario Hydro takes to the Energy Board, under the Power Corporation Act it does not have to do anything in the sense of a responsible presentation. They do not have to do that to you, to the Premier, or to the Legislature.

When we think of the very energetic young Treasurer we have today, looking to lead this party of yours in this interim government until we form the next government, the very disturbing

part is that he is acting as though he had done something that was really within the realm of responsibility when he cut \$200 million from Ontario Hydro.

However, the last time one of the ministers really acted in a responsible way was when a former Treasurer, Darcy McKeough, pulled some \$5 billion from Hydro's borrowings and did something very meaningful.

Hon. Mr. Andrewes: How much?

Mr. Kerrio: It was \$5 billion. What is your figure?

Hon. Mr. Andrewes: I do not know. I was not around when this took place.

Mr. Kerrio: There are those who are here who will agree that it was \$5 billion worth of borrowing that Mr. McKeough curtailed from Ontario Hydro.

What I am trying to get at in my windup is that no one has really tackled this particular issue straight on. They have accepted it. They have accepted what has gone on in the past. However, if we are going to do something meaningful, we are going to have to separate some of those things in Hydro that should more properly be in competition with what Hydro is doing, rather than being in the administration of Hydro, where it is not in Hydro's best interests to do some of the things it proposes to do.

It is not in the best interests of Ontario Hydro to be talking about conservation or alternative energy resources and all those great and wonderful things. If we are going to do something about energy self-sufficiency, it is going to be done by aggressive people who are going to get out there, compete with Hydro, and do some of the things that have to be done.

Look at how grossly unfair some of the ridiculous ads are, the ones with the talking oil furnace. I am not suggesting we should burn oil because I know that is a nonrenewable resource, but one thing that is never said when you talk about gas and oil as the alternatives to electricity, is that the provincial government is the recipient of huge amounts of tax dollars from those alternatives.

It is grossly unfair for the recipient of all the good things that happen in this parliament and all the latitude Hydro has to do the kind of advertising that is being done when its competition has taxes that are very heavy, which Hydro does not have. If we were to see other companies launch these kinds of campaigns and start getting into the political arena as it relates to what could be said about Hydro by the oil companies, it

would not be in the best interests of the consumer.

Those people are sitting back, accepting the fact that Hydro is taking unfair advantage in its advertising, while you are taxing those other commodities very highly. With the ad valorem taxes and all the taxes on those other industries, you know they are certainly not comparable in pricing unless you eliminate the tax.

I am not so partisan a politician that I want to see the federal government fail in its new policies, but I hope you are going to get close enough to them to be able to come back to our table and tell us how radically things are going to change and what is going to happen.

You talk about Canadian oil and gas. It is not really Canadian oil and gas. It is Alberta oil and gas. Those people out there have pretty short memories. Ontario—and I would have agreed, had I been sitting in the Legislature at the time—bought western oil when we could have bought oil cheaper offshore. In those days, the manufacturing base in Ontario was developing tremendous tax dollars and sharing them with all of Canada—indeed, at that time, sharing them with Alberta.

11:20 a.m.

Now, when some of those resources are available competitively, we start talking about world price. There may be one or two exceptions, but I do not think there are many jurisdictions in the world that charge their own users world price. I do not believe that happens. Somehow, we got caught up with this kind of phenomenon, that somehow those people in western Canada should be entitled to world prices.

I think a couple of our people accepted that position. I might be at odds with them, but I am only bringing it on the table so that you can perhaps look into it. Perhaps you can look at it as it relates to the very unfair sort of mentality that exists, that because our natural resources are not national resources—they are allowed to belong to the provinces—we consider them as offshore resources, not Canadian resources at all. We cannot properly describe them that way.

In the national policy, I wonder if it would not be something you might do on behalf of all the citizens here. Find out where we are headed and whether they are really going to talk, not about prices to other Canadians, but prices we would be charged by the Arab countries. I find that very hard to accept, and I am hoping that people are going to be somewhat relieved of that burden.

If you do nothing else with Suncor—until, I hope, you unload it—you should insist on some stabilization of prices, as you do with rent control. I think it is perhaps even more important and significant for you to step into that arena, now that you are in the business, and decide that there is going to be some commitment to Canadian users.

There are many other issues. I have to make one more comment about a federal scene or, more properly, an Alberta scene. It is with reference to gas. I had a pet project at one time and I put it before the top minister, the Premier, in his estimates. I thought it might have made some sense, if you were looking at a project that might have some real import to Ontario. I thought that we—that is, the federal government and, in the short term, the Conservatives from Ontario—would be able to deal with our western people and talk to them about a plan to do something about a major pipeline to increase sales of gas in Ontario. It has always been a pet plan of mine for the reason that we are talking about an all-Canadian project.

We are talking about Canadian ore, Canadian steel mills, Canadian pipe manufacturers. I know you are very much aware that the pipe plants in Welland, Ontario, are about as efficient as any in the world. In some sizes—I think the 30-inch and 36-inch pipe—they can make nearly a mile of pipe a day. It would be an all Canadian installation.

I wonder why it would not be in the best interests of Ontario and all of Canada if we were to bring that resource to Ontario in volume, and to manufacture all kinds of products for export, instead of looking at the alternative, which frightens me—that is, reduced prices for the export of Alberta gas into the United States and use it in direct competition with the manufacturing base that we have here in Ontario.

I think that would be a disaster. Before it happens, even though we are talking about your estimates here in Ontario, I would like to see representation made at the national level that there is going to be some consideration given to a major reduction of prices to Ontario. In my own constituency, North American Cyanamid, which uses gas as a feedstock, is one of the major users there.

It seems hardly fair we should put the kinds of federal-provincial taxes on that natural resource that put it beyond the reach of our manufacturers to use as a feedstock or as a secondary energy, while at the same time consider selling off in the west to the Americans.

When people talk about surplus gas, I tell you that I find that term offensive. There is no such thing. You have to have a more proper description than “surplus to our needs.”

Let us say you have a major find of gas. You put a well down and you remove enough gas for the local supply. Then you decide that it would be to the advantage of the owner of that well to be able to sell some of the gas, so you sink more pipes into that same deposit. It does not mean that becomes surplus gas. That particular field has just so much gas there; if you put more wells into it, you reduce the life span.

Even though there are huge quantities there, I am wondering if we can go on drilling as many wells as possible, depleting the resource in a much shorter time, and exporting it in that state, as you are considering with electricity.

I do not want to get back to those days when we were considered merely the hewers of wood and the carriers of water. We have to make a real commitment to using the feedstock and the resources here. It would appear that it is going to be quite a hurdle to get over because the federal government has different ideas about what conservatism is. In Ottawa, they may be closer to Margaret Thatcher. Perhaps they are much more right wing and Tory than Ontarians.

Hon. Mr. Andrewes: Hewers of wood and carriers of gas.

Mr. Kerrio: Whatever. I have a fear that we are embarking on a whole new federal energy plan that is going to harm us here, in the sense that to get a quick dollar, there may be much more consideration given to the export of our natural resources. In the normal unfolding of a national energy policy, there might have been more concern about the Canadian scene.

I have noted many areas about which we will get specific later. In keeping with opening statements, I thought I could bring these questions forward, some to you and others to those whom you are going to bring before our committee.

I have a major concern relating to what might unfold now. It goes without saying that you should be playing a major role with the federal government. I think you are going to see a lot of pressure brought to bear by the producing provinces to get the most from their resources. You are going to have one heck of a fight on your hands to protect the interests of Ontario in a new energy policy that would condone some of the things that are being suggested in the western provinces.

I certainly would not want to get into a confrontation with them about what happened in the past, but history has recorded that when we were the generators of the major tax revenues from our manufacturing base, there was never any question of us sharing it with all the provinces. I find it very difficult to accept and understand that when their resource becomes as valuable as it has, it is now considered their own and should not be shared.

The resource in Alberta was right within their province. It shows the kind of mentality that exists on a national scale when the eastern provinces decide that offshore oil should belong to the closest province. I wonder where we are headed.

Not taking anything away from the great contribution those provinces have made to Canada, what really concerns me is this new mentality. It was great while the tax dollars were flowing to support all provinces. Now when a find is made, it belongs only to that jurisdiction. I really think you will have to fight to protect the interests of the people of Ontario as related to that whole new concept. I look to a major change in the national policy.

I wish you well in your endeavours to protect our interests. I hope you go down there with all the resources at your command to make a case for us. In any event, I will pursue the individual questions as the votes unfold.

11:30 a.m.

Mr. Di Santo: Mr. Chairman, at the outset, I want to say that I was a little disappointed in listening to the minister's opening remarks. I expected that we would have a major statement, in view of the fact that the minister spoke of the reorganization and reorientation of the ministry.

I am not satisfied with the explanation that the minister gave us. The minister outlined the general strategy of the ministry in supplying energy to Ontario at reasonable prices. He said the ministry will support the development of energy resources, both conventional and renewable. Second, it will promote the efficient use of energy, particularly new technology. Third, it will encourage the substitution of more abundant sources of energy for oil. Fourth, it will develop indigenous capability in both energy supply and technology.

In my opinion, that would require a more active role of the ministry. Instead, however, the minister told us that from now on, the role of the ministry will change from that of initiator to that of adviser and facilitator.

If what the minister said in his opening remarks is true, about how fundamental and crucial energy is to the economic development of the province, to reduce the ministry to the role of a consultant is, to say the least, disappointing.

If that happens, and I hope it does not, the suspicion of many people, that the Ministry of Energy has been a captive of Ontario Hydro and the decisions it makes, will have become a reality. That is not what the role of the ministry should be. It is not in the best interest of Ontario to downgrade the importance of the Ministry of Energy.

I will be commenting, as we go through the estimates, on the points raised by the minister which he has not clarified. We will ask specific questions as to how he can support the efficient use of energy.

He has repeatedly said the future of our electrical generation planning requires flexibility. He has not explained to us how that flexibility can be achieved when we are faced with the very rigid expansion program of Ontario Hydro, which is absorbing incredible financial resources and impinging on the province's ability to borrow. That has been shown in the last few days. I will return to that shortly.

If it is true that the use of energy has decreased since the 1970s by eight per cent per unit of economic output, can the minister tell us how he can justify the expansion of the Hydro system? It already has an incredible surplus without Darlington.

The minister cannot take solace in the fact that, in the first eight months of 1984, the use of electricity increased by eight per cent in comparison with the first eight months of 1983. The minister has not given us any forecast and I wonder why. We know very well what happened in the past when Ontario Hydro was forecasting a growth of seven per cent a year.

When he appeared before the select committee, the minister could not give us any forecast. I do not think the minister has told us today what the requirements will be in the future, and why this minister and this government is committed to nuclear expansion and the building of Darlington.

Also, I will be asking questions of the ministry about retubing. I do not think it is good enough to say that the retubing program is on budget and on schedule. We want to know what the economic impact is on the operation of the nuclear reactors. We want to know what the cost is for the consumers, and what effect it will have on the rates.

I think the minister spoke of significant conservation strategies, but he did not mention the rates. I think the rates are a very important element in the total energy picture. He did not explain to us why there has been a reduction of consumption, supposedly because of better conservation strategies developed by the government.

Even though we are dependent on Alberta, the minister said that we are paying higher prices than our competitors south of the border. However, he did not explain why the price of gas was kept at a level lower than inflation. This year, there has been no increase at all in consumption by the consumers, the home owners in Ontario, yet there is a constant requirement for increases in the rates of Ontario Hydro.

I think the minister also changed the role of Ontario Hydro slightly. In his words, it is the major indigenous energy resource available to us. I thought the role of Ontario Hydro was to produce energy at cost, not at reasonable cost. The minister must explain to us why it has changed. We know why it has changed: because of the nuclear program Ontario Hydro is developing.

The minister told us that tritium handling is under control. However, we recently heard reports—and I will entertain the committee on this—which are raising some questions that must be answered.

I want to discuss one of the problems which the minister has touched only en passant, and that is the role of the ministry, which can now shift from that of initiator to that of adviser and facilitator. In concrete terms, this means cutbacks in the estimates we are examining.

Faced with substantial cutbacks in his budget, I thought the minister would make a major statement to redefine the goals of the ministry, and not give us a statement which, I must say with some perplexity, is full of buzzwords. While I was listening, he used all the catchy phrases that are probably used more by advertising agencies than by policy-making bodies.

11:40 a.m.

We know that the major policy statement of this ministry was made in September 1979 by the former Minister of Energy, Mr. Welch. In *Energy Security for the Eighties: A Policy for Ontario*, it was said that: "By 1995, at least 15 per cent of Ontario's energy will be from renewable and recoverable resources. To achieve this 35 per cent target, the public and private investment of some \$30 billion in 1979 dollars will be needed

over 15 years, of which more than half will be needed for renewable energy alone.

"This investment could come from a variety of sources, including the private sector, individual property owners, Ontario Hydro, municipalities and the Ontario government. A key Ontario government role will be in seed funding and pilot-project investment through a variety of means. The Minister of Energy, assisted by the Minister of Industry and Tourism and by the Minister of Treasury and Economics, will develop the financial and other conditions to foster a solar energy equipment industry, as well as other renewable energy industries in Ontario."

On October 1, 1979, the Ministry of Energy issued a press release which said: "Mr. Welch stated that Ontario set a goal to increase, over the next 15 years, Ontario's capacity for energy self-sufficiency by 55 per cent. This effort will require an estimated investment of close to \$30 billion over the next 15 years, of which about \$16 billion would be for renewable energy. While this is a staggering amount of money, we must keep in mind that every time the federal government and the producing provinces put up the price of oil by one dollar per barrel, more than \$300 million a year is taken from Ontario consumers."

Against that background, what is the policy proposed by the government in these estimates? If we look at where the money is being cut back, we see that the ministry has no intention of carrying out those promises.

First, I will make some brief remarks about the organizational changes.

This is from an internal Ministry of Energy document of September 1984 called *New Organization*. "Alternative energy sources have not lived up to their overbilling as the sources of the future, but some have demonstrated real commercial potential and need strong support. The energy crisis is perceived as being behind us for now, and the ministry is competing with other parts of the government for more public resources and a more even footing."

What does that mean with respect to what the ministry is proposing to us? They lost that part of it.

Hon. Mr. Andrewes: May I interrupt you for a moment? Where was that quote from?

Mr. Di Santo: It is from *New Organization*, an internal document of the Ministry of Energy.

It goes on to say: "The ministry had several problems with respect to its organization, notably compartmentalization and territorial rights resulting in rigidity and loss of flexibility,

diffused accountability, overlapping responsibility, externally perceived ambiguity and lack of clarity," etc.

I would like to ask the minister how the proposed cutbacks are going to alleviate such organizational problems. Surely, they can only aggravate them. The Ministry of Energy is small to begin with. An overabundance of staff and programs could hardly become the source of the problems.

Despite that, we know what we read in the media. The *Globe and Mail* said earlier this month that "the Ontario government has quietly embarked on a new kind of energy reduction campaign, cutting back on staff, funds and programs in the Ministry of Energy. Twenty per cent of the 240 jobs in the ministry will be eliminated.

"The changes signal a major reorganization of the ministry and the Ontario government's thinking about energy. The widening search for new sources is to be narrowed and the government's hands-on attitude towards energy conservation is to be withdrawn."

The minister has a responsibility. He did not talk at all about how the jobs which will be cut will affect the reorganization of the ministry. The minister spoke of new organization and new orientation, but he did not tell us what that means in real terms. Which programs will be reorganized, and how will those programs be reorganized so they can reach the goals he proposed to the committee this morning?

The *Globe and Mail* goes on to say: "Aside from support for Ontario Hydro, the only projects Mr. Allan said the ministry will aggressively pursue are plants to burn municipal garbage for energy, the use of natural gases in automotive fuel, and small-scale hydroelectric generators to serve remote communities."

These are some of the things the minister touched on in his statement. Mr. Allan's scenario, however, is not without some controversy: "Ontario Hydro generates political notoriety for its enormous debt, its independence from the Legislature, and its fascination with nuclear power."

These are the issues on which we in the opposition have dwelt, and which deserve an answer, because the accountability of Ontario Hydro is important to the economic development of this province. Ontario Hydro is not an entity which is detached from the rest of the province. It affects the economic performance of the province, and I will speak about that shortly.

I will continue to quote the *Globe and Mail*: "Garbage energy schemes have been promoted and disposed of by the government for a decade. Small-scale hydroelectricity is shortcircuited by Ontario Hydro's refusal to co-operate by buying surplus power from small producers."

The minister mentioned that one of the ways to look at the future is also to look at the private producers of hydraulic energy, but he did not explain how that can be achieved if Ontario Hydro is in fact blocking the use and development of small, private hydroelectric sources.

"Mr. Allan's plan calls for strengthening, along with the energy price, monitors and analysts. The publicity department will remain strong. Mr. Allan acknowledged that the ministry has not had a great batting record in terms of major energy source innovations to give Ontario energy independence," which contradicts all that the minister said this morning in his opening remarks.

11:50 a.m.

I hope the minister will tell us how these opposing views within the same ministry can be reconciled. If we have to accept his version of government policy, he should give us substantial evidence on the way in which the government is embarking on this new reorganization and orientation program.

I do not think I have to enlighten the committee on the cutbacks. The member for Niagara Falls (Mr. Kerrio) did it very clearly. I would only point out that the cutbacks show us this government is not committed to the promises it has made regarding alternative sources of energy, increased conservation and so on. Those programs which are the most progressive and which hold the most promise are the ones which had their budgets cut most severely.

Mr. Kerrio mentioned that \$3,641,000 has been cut from the alternative and renewable program in the estimates of 1983-84, and \$4,375,800 from the energy conservation program. In my opinion, these figures show the commitment of the government of Ontario to energy conservation and utilization of alternative energy sources and nonrenewable fuels.

If the minister has an ingenious idea and can explain to us how these goals can be achieved by cutting back in his programs, we will be more than willing to listen to him. He has to give us some evidence and figures and data, not just general statements.

One thing the minister did not touch on at all in his opening remarks is the impact of Ontario Hydro on the economic performance of the

province. This is an issue that has been debated very much in the last few days in the Legislature and it is extremely important, not only for us in the New Democratic Party but to all the people of Ontario.

We have been maintaining for a while that Hydro is not accountable to the Legislature. We suspect it is, in fact, imposing on the government its own policy choices; that government policy is made around the decisions made by Ontario Hydro. I think that, because of this situation, the province is now paying the price of the spending decisions made by Ontario Hydro by cutting back on social and other services.

That was the significance of the statement made by the Premier when he said that all the ministers should be more cautious and should practise restraint if we want to keep the triple-A rating. We all know that the Premier and the Treasurer went to New York to speak to Standard and Poor's Corp. Apparently we do not have a definitive version of what happened but most likely, because the triple-A rating was under discussion as the Premier said, they went before the appeal tribunal to defend the triple-A rating.

We know the Premier has directed ministers to hold down increases in transfer payments to hospitals, municipalities, boards of education and universities. As he said, if the ministers had excessive increases, the price that Ontario would pay would be the loss of its credit rating.

Apart from the mythology of the triple-A rating, to which I do not subscribe, the Treasurer said yesterday that if we lose this rating, it will be more expensive to borrow money on the market in New York. He forgot, however, to talk about the economic price we are paying.

In order to keep the triple-A rating, we have to cut services that are essential. One wonders about the role of government. Is it to provide some essential services to its citizens, or just to keep a credit rating that is self-serving?

One of the questions that the leader of my party raised, and that I want to raise today, is that there is a connection between Hydro's enormous debt and the credit rating. Yesterday, the Treasurer and the Premier denied there is any connection, but the former Treasurer, Darcy McKeough, was not of the same opinion.

In fact, in the 1976 budget, Darcy McKeough said the following: "Ontario Hydro's financial requirements in support of its capital spending program have an important impact on the government's finances. Borrowing by Hydro in the world capital markets directly affects the province's own borrowing capacity and financial

standing in the investment community. The province borrows on behalf of Hydro in the US capital market and guarantees the corporation's debenture issues in Canada and other international markets."

Then he said, "Provincial borrowing restraint must, therefore, be matched by restraint on the part of Ontario Hydro."

The new Treasurer and the Premier would want us to believe there is no relationship at all between Ontario Hydro's debt and the financial situation of the province—the financial ability of the province to borrow, and, therefore, the credit rating.

As well, Darcy McKeough, in a letter to Ontario Hydro chairman Robert Taylor in January 1976, said: "If we expand the electrical system in a manner which takes risks with our financial standing, we shall be contributing to inflation. We shall also be prejudging our medium-term capacity to finance the provision of public services at the provincial and local levels."

This is in direct contradiction to what the Premier and the present Treasurer are telling us now, that there is no relationship at all between Ontario Hydro borrowing and the provision of what he calls public services at provincial and local levels.

12 noon

In a speech to the Conference Board of Canada in 1978, the same Darcy McKeough had the following to say: "If adverse conditions develop in any capital market or if borrowing requirements exceed forecasts, the province of Ontario may need to divert additional funds to Hydro. Only if we stick to our game plan of government restraints aimed at a balanced budget will we have the flexibility to meet these essential capital demands by freeing up presently captive pension flows or other essentially private sector investments."

I would like to point out that since the government announced its fiscal restraint program in 1975-76, Ontario Hydro has increased its net public debt in every single year of the nine years. The Ontario government has increased its public debt in only three of those nine years. On a cumulative basis, Ontario Hydro has tapped the public market for more than \$10 billion on a net basis and the Ontario government has tapped the public market for only about \$800 million. I do not need to remind the committee that Ontario Hydro plans to borrow approximately \$65 billion between 1984 and 2003.

I would like to entertain the committee briefly on another issue raised by the minister.

The minister said the ministry is handling the tritium issue in a satisfactory way. I would like to bring to the attention of the committee an interoffice memo from Mr. D. E. Anderson, director of the new business ventures division, dated October 23, 1984, that said: "In order to market Ontario Hydro's expertise and nonelectricity byproducts, the new business ventures division has organized its effort into distinct business planning areas. One of these areas is isotope sales and service, which includes the marketing of heavy water, cobalt 60, tritium and other radioisotopes to be defined later."

As you know, tritium is a waste product from Hydro's Candu nuclear reactors. It is thought to be an ideal fuel for fusion reactors and it is also one of the most valuable substances in the world. It is very expensive. The catch, however, is that Tritium is now used mainly to make hydrogen bombs and for self-illuminating exit signs in aircraft and some buildings.

Nick Fillmore, producer of the Canadian Broadcasting Corp. Sunday Morning show, *The Trafficking in Tritium*, said that Hydro's projected customers for tritium include four giant weapons laboratories in the United States. You can be sure those laboratories will use tritium for self-illuminating exit signs!

According to the Toronto Star's report of the radio show last Monday, the CBC said that at one of the laboratories, Lawrence Livermore Laboratories in California, scientists are working on designs of all types of nuclear weapons, from large megaton warheads to the cruise missile. The Star reported that a total of \$21 million is being spent over five years under a joint Canadian-Hydro-university project on research into the sale and promotion of tritium and tritium technology administered by the Canadian Fusion Fuels Technology Project.

The program also noted that Canada's peaceful technology helped to get India the atomic bomb. While I was coming down I heard a report on the relationship between Pakistan and India, which has been strained for years. One reason for this is that India now has developed an atomic bomb, thanks to Candu. I think this report from the CBC Sunday Morning show deserves some comments from the ministry because it is obviously a very troublesome question.

If the disposal of tritium should contribute to the development of nuclear weapons, I think it is outside any goal this government and Ontario Hydro have in the development of energy. I think

it would be an unjustifiable use of the mandate that Hydro has. I am sure we, and the minister himself, would condemn this.

As I said, the minister did not comment at all on one of the issues which I think is important: the question of rates. When the Ontario Energy Board appears before the committee, we will ask how the chairman feels about its mandate. We will want to know whether he thinks there is a contradiction between the power of the board to review applications for rate increases by the gas companies, while it can only suggest the electrical rates.

We have been critical of the application to the board by Ontario Hydro in 1984. In fact, we made a presentation before the Ontario Energy Board because we thought the increase requested by Hydro was out of line with government policy and was not justified because we did not agree with the continued expansion program of Ontario Hydro.

The reasons we gave at that time are still valid. There were basically four. Ontario Hydro's spending is inflationary. Today, I mentioned the speech made before the Conference Board by the former Treasurer, Darcy McKeough, in which he addressed this particular aspect. Ontario Hydro has repeatedly promised to keep its rate increases at or below inflation. Repeatedly, the last time in 1982, the ministry itself stated the same. Mr. Milan Nastich made the same statement last year.

12:10 p.m.

Ontario Hydro continues to borrow money for capital projects at a rate of roughly \$2 billion per year to finance the construction of generating facilities that will provide more electricity than the province needs now or is likely to need for the foreseeable future. We will discuss this point later on in the estimates because I think it is very important that we have a clear idea of what is going on.

It is not sufficient to say we are embarking on new programs, with reorientation and reorganization of the ministry. We must have a clear idea of what the energy requirements are in the foreseeable future. How do we reconcile the expansion of the program with the more efficient use of energy proclaimed by the ministry?

We objected to the increase in rates because, given the current economic climate in the country and in the province, increasing energy prices undermine the competitive position of Ontario industries and put an unwarranted financial burden on those in our society least able to bear the cost.

In a very strange way, the minister concurred with us today when he said we are operating in an open market and that we are at a disadvantage in competing with our friends south of the border. Their energy costs are lower than ours; therefore, Ontario industries are at a disadvantage. This was the very point we were making before the Ontario Energy Board, which is still valid. If you increase the cost of energy, that cost will be reflected in the cost of the output; therefore, Ontario products will be less competitive in an open market.

This is apart from the other considerations the minister himself took into account regarding the smaller Canadian market, which is also a factor in making our products less competitive. Canadian industries have shorter production runs and, therefore, the cost per unit is higher than that of similar industries with longer production runs. Certainly, energy is one of the factors.

We maintain, as I said before, that the increase in rates should not go beyond the level of inflation. I want to remind the minister of what he said in the House in October 1983: "I think, at this point, Hydro is on a program to maintain its financial integrity, to keep some perspective on that financial integrity and to keep the rates below the level of inflation." The minister said that in the House in 1983. He will have to explain this to the committee.

Hon. Mr. Andrewes: You did not finish the quote.

Mr. Di Santo: I think I have finished the quote. I do not want to misquote. For the sake of putting into the record what we said before the Ontario Energy Board, I read your quote, which is as follows: "They are confident that those rates, indeed, over the next number of years, can be kept below the level of inflation."

For a simple-minded person like me, you do not give Ontario Hydro a 7.8 per cent increase to reach that goal when the inflation this year is 3.8 or four per cent, or perhaps close to five per cent. If you want a reduction, you do what you are doing with your restraint program; you cut programs. You are not increasing the programs I mentioned before. You are reducing the allowance for the alternative and renewable energy programs and the allowance for the energy conservation program. Now you tell us you are going towards the goal of rates below the level of inflation by providing Hydro with a 7.8 per cent increase. I think that is contradictory.

Just to keep in perspective why we are supporting that point, we maintain that Hydro can afford to reduce its revenue requirements. In

1982, Hydro proposed a 15.9 per cent rate increase and said in 1982 that for the next two years the increase would be 16 per cent, which meant a total of 54 per cent over a three-year period. After considerable scrutiny by the Ontario Energy Board of the proposed Hydro expenditures, the board recommended a rate increase of 8.8 per cent and Hydro implemented 8.4 per cent instead of 15.9 per cent. In 1983, exactly the same happened. Hydro sought an increase of 9.7 per cent, the board recommended 6.3 per cent and Hydro implemented, with the government's consent, 7.8 per cent.

That means Hydro could live with a reduced rate increase as opposed to its initial proposal. I think you could actually have recommended a lower rate increase for 1985 if you had wanted to reach the goal you yourself chose in order to keep the rates below the level of inflation and, therefore, to help the economic recovery, which is faltering, no matter what you said; even if electricity consumption increased by eight per cent in respect to 1983.

The major point we think has to be considered is the expansion of the Ontario Hydro system. You said in your presentation that planning for future generation of electricity will require flexibility. It is my impression that Hydro is totally committed to nuclear development. We know about all the plants that will be built from now until the year 2004. You have to explain to us how that flexibility can be reached when Hydro is committed to only one source of energy, the nuclear source of energy.

It is our contention that nuclear costs directly hit consumers even though Hydro maintains that is not true. We know the cost of new nuclear stations is not transferred immediately to the consumers, but only when they become operational. However, the fact is that from now until the year 2004, there will be a number of stations that become operational almost every year, which means that the bills of the consumers will increase because of that program.

I will discuss this more directly with the Hydro chairman and the other officials when they come, but certainly we now know, if we look at Hydro's own tables, that there will be a reserve capacity of 51 per cent next winter. In 1985-86, it will be 54 per cent and in 1986-87 there will be a staggering reserve capacity of 57 per cent.

I think it is incumbent on the minister to explain to us why Hydro needs to expand the system and borrow almost \$65 billion between 1984 and 2003. Why does the government think we should devote so much of our financial

resources to nuclear development, to the detriment of the economic development of the province as a whole?

We know, as Darcy McKeough said, that financial resources are not infinite and that Hydro's borrowing is guaranteed by the province. Of course, Ontario has a triple-A rating, but it does not have access to the market for unlimited capital. Therefore, if Ontario Hydro is going to borrow \$65 billion, some other programs will suffer. The minister must explain to us how, if that is not directly contradictory to the goals he has set for the ministry, these energy costs will promote the economic development of the province.

We think there is a need for diversification and for a shift to conservation, but a serious effort is needed. You cannot convince us that the government is really serious in talking about conservation when you tell us there must be a wiser and wider use of electricity.

What is a wider use of electricity? Wider means more use of electricity, and more use of electricity does not mean conservation. Why is there a need for wider use of energy? It is because Hydro has a reserve capacity that it cannot use and if it does not use it, it cannot store electricity. Therefore, we think it is insane to proceed with a program of expansion only because Hydro has decided there must an expansion of its programs. I think the minister has an obligation to explain that to us.

We also have some questions that we already have raised at the public accounts committee on

the Provincial Auditor's report on Ontario Hydro. It has enlightened us on some of the operations of Hydro. However, I do not want to take the time of the committee right now because these are specific questions I will be raising when the Hydro chairman appears before the committee

However, these are basically the issues that are very important to us. Ontario Hydro is not controlled right now and is not responsible to the Legislature. The programs of the ministry are contradictory. If we are going to achieve a balanced generation of energy and reach the goal of conservation that will help in reducing the use of energy in Ontario, which is one of the highest in the world, as the minister said, then we should have serious programs and not cutbacks. I hope the minister will be able to answer our questions because I think they are most important to many people.

Mr. Chairman: Thank you, Mr. Di Santo. It is close enough to 12:30 that we probably should adjourn. Perhaps the minister can respond tomorrow evening to some of the concerns of a general nature raised by the two critics, leaving specifics such as Ontario Hydro or Ontario Energy Corp. to the following evenings and next Wednesday morning, when the appropriate people are here.

With those remarks, I declare this meeting adjourned until tomorrow evening at eight o'clock.

The committee adjourned at 12:26 p.m.

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 Barlow, W. W.; Chairman (Cambridge PC)
 Di Santo, O. (Downsview NDP)
 Kerrio, V. G. (Niagara Falls L)
 Stokes, J. E. (Lake Nipigon NDP)



Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of Energy

Fourth Session, 32nd Parliament
Thursday, November 1, 1984



Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, November 1, 1984

The committee met at 8:16 p.m. in room 228.

ESTIMATES, MINISTRY OF ENERGY (continued)

Mr. Chairman: Committee members, I recognize a quorum. I will call on the minister to begin his response to some of the general questioning raised by the two opposition critics.

Hon. Mr. Andrewes: Thank you, Mr. Chairman. I appreciate that we are now at 8:16, so I will try to be brief.

We do have a little bit of further material which I am going to ask you to bear with me and accept: the Hydro annual report, the Ontario Energy Corp. annual report, the Ontario Energy Board annual report, and some samples of our ministry publications. We will pass those around because I think you might find them interesting.

I will briefly go through some of the points raised by Mr. Kerrio and Mr. Di Santo. First, Mr. Kerrio raised the issue of the budget cuts. I believe Mr. Di Santo touched on this as well.

Our budget cuts are noted in the estimates. I think it is significant that you appreciate that 65 per cent of those budget cuts, of that big number we talked about, is represented by interest on the Suncor note and by reductions in the flow of funds to the Ontario Energy Corp. The offset on the Suncor note is due to dividends paid to the provincial government through the OEC by Suncor, and a decrease of \$1 million to the OEC with respect to the flow of funds for its investment purposes.

I want to deal, Mr. Kerrio, with some general principles of what we are looking at in the Ministry of Energy. I will acknowledge we have had some cuts and I will acknowledge we have made some changes in the ministry's emphasis. I acknowledge that for several reasons, principally as a result of some of the things I said in the House the other day.

We had some changes in circumstances. When, in 1979, my predecessor brought down the document entitled Energy Security for the Eighties: A Policy for Ontario, we were faced with a situation where energy costs had taken some pretty significant bumps; one in 1973 and one again in the late 1970s. We were faced with speculation that, by this point in the mid-1980s, oil prices could be as high as \$55 a barrel on the

world market. We were faced with situations where some feared we would have shortages. The question of shortages was perhaps brought home more clearly in the United States than it was in Canada, but there were those fears.

We embarked on a broad-ranging program of addressing that situation with respect to conservation, renewable energy and a search for additional energy supplies. We did that with a plethora of programs.

We have now reached a point in the mid-1980s, or very near the mid-1980s, where a number of those technologies have been proven. It is time that a number of those technologies be taken up by the private sector for commercial application.

It is time we looked at the emphasis we placed in the ministry on the question of conservation; how successful we have been in creating an attitude in the general public that conservation is not only good as to its motherhood and all of those issues talked about in the late 1970s and early 1980s, but that it is good financial management. Industries can improve their productivity, lower their cost of output and be more competitive by applying some of these technologies, by investing in some of these technologies and by just generally looking at a major portion of their costs, which are energy costs.

I acknowledge we are taking a somewhat different attitude with respect to conservation and renewable energy projects; I cannot acknowledge that we are de-emphasizing the importance of those two areas.

We will be trying to focus our emphasis on what we see as being technology applicable in the private sector, technology that will be a winner to the private sector. We will be encouraging the private sector to pick this up.

We will be making very strong attempts to commercialize many of these technologies that we have now demonstrated work and can continue to work, perhaps with less government intervention and financial assistance. We will be trying to emphasize, with respect to marketing ourselves as a ministry, that we can be a dependable source of information to industries and to home owners on conservation and renewable energy technologies.

That is perhaps a long answer to a shorter question you raised. If you want to go into detail—you raised the issue of administrative costs and our total budget—I can ask Tony Jennings to come forward and expand on that. Maybe we will do that a little later on in the evening, if that is your wish.

Mr. Kerrio raised the issue of gasoline prices.

Mr. Kerrio: That really has to be one of the most disturbing things the average citizen puts up with, including the minister and his family or whoever has to purchase gasoline. It is hard to believe we have not by now arrived at a stage where there is reasonableness to that whole circumstance.

Hon. Mr. Andrewes: I assume you are talking about the fluctuations.

Mr. Kerrio: Yes.

Hon. Mr. Andrewes: I think you appreciate that—

Mr. Kerrio: Take Fonthill. Gasoline in Niagara Falls was 50 cents a litre and in Fonthill it was 40 cents.

Hon. Mr. Andrewes: Come out to Fonthill and—

Mr. Kerrio: Ten cents a litre difference; 4.5 litres to the gallon. That is a lot of money. How could that happen?

My real point to you was: we own 25 per cent of Suncor; let us show people how gasoline stations should operate. We own all of Petrofina, but I guess that does not mean a damn.

Hon. Mr. Andrewes: I only want to make two points here on this whole question of gasoline prices.

Mr. Kerrio: Think about that for a minute, gas prices.

Hon. Mr. Andrewes: You have a situation where the gasoline market, the diesel fuel market, is highly competitive. You have an overcapacity in the system to produce the products and to deliver the products. There are probably more retail outlets than are necessary to provide proper service and distribution.

Mr. Kerrio: But the NDPers said that was because all those rascal oil companies ripped us off. We have two companies now, one owned federally and one provincially; do they not function in the system?

Hon. Mr. Andrewes: All are functioning in the system and all are, I think you would agree, having to apply basic principles of marketing, which include competitive pricing in a shrinking market. That is a situation that has been created

by a slowdown in the economy, which created a reduction in demand for gasoline.

Mr. Kerrio: But we did not participate before as a government, we left it to the oil companies. You do not have to agree with me, but let me make this comment. When the polls said that the people of Ontario would like to own an oil company we bought 25 per cent of one. It was said we were going to have a window and were going to be able to have maybe a little influence on what happens there in the marketplace.

My real question to you was: what good has it done the people of Canada and the people of Ontario to own Petrofina 100 per cent and Suncor 25 per cent when everything that went on before there was any government ownership continues?

How can I describe what I think the average citizen out there was looking for? When rent control went on they got some relief. That was not even government; that was leaning on the private sector.

Mr. Wildman: Are you in favour of rent controls?

Hon. Mr. Andrewes: You are not suggesting that we—

Interjection.

Mr. Kerrio: Whose was that voice I heard in the background; those lefties who come in on the scene late?

Hon. Mr. Andrewes: You are not suggesting the government should intervene in the free-market system?

Mr. Kerrio: We are not a free-market system any more when they participate.

Hon. Mr. Andrewes: Very much so.

Mr. Kerrio: They have taken an interest there. Could they not lead the way and say, "Okay, we are going to have at least some sort of equity in the marketplace"?

Hon. Mr. Andrewes: Look at the financial statements of all the oil companies and you will see they are all losing money.

Mr. Kerrio: I am really getting back to what my question was.

Hon. Mr. Andrewes: They are all losing money in the downstream product market.

Mr. Wildman: Suncor too?

Hon. Mr. Andrewes: All of them.

Mr. Kerrio: I am not suggesting they should lose money. My real suggestion is that some place there should be some sort of—I compared it to rent review and control because I thought that if your government leaned on the private sector to

say that they were going to have to control rents when you do not even own—do you own any houses? Yes, you own some housing.

With the oil companies we also bought a place in the market, yet we do not exercise any control in that area.

Hon. Mr. Andrewes: I would like to deal in a little more depth later on with the whole question of the philosophy of that involvement.

Mr. Kerrio: Yes, certainly. I would leave them loose or whatever; but I do not want to make an investment and then fail to use any kind of lever we might have to give some kind of—how would you describe it? People travelling up north sometimes find the prices on the highway change overnight by 10 or 12 cents.

Maybe it is not possible. I am asking the question.

Hon. Mr. Andrewes: Sometimes it is down. I guess, philosophically, we can have differences of opinion here. I am, like you, a free-enterprise man. When you have a shrinking market and a number of suppliers competing for a shrinking market, they are going to be in active pursuit of that market. Those price fluctuations come about as a result of that active pursuit of a shrinking market share.

Mr. Kerrio: I suppose I do not quarrel with that. I suppose the real point is that when the government participates, they still participate as though they were free enterprisers, not as though they were going to give some stability to the market.

Mr. Wildman: You want it both ways.

Mr. Kerrio: Who is that guy yapping?

Mr. Wildman: Your colleague, the member for Algoma-Manitoulin (Mr. Lane), introduced a bill for uniform gasoline prices.

Mr. Kerrio: Yes, but he wanted to go all the way. He is a leftwinger. I do not buy that.

Mr. Di Santo: Did the minister say the consumption of oil in Ontario is shrinking?

Hon. Mr. Andrewes: Yes, sir.

Mr. Kerrio: Yes.

Hon. Mr. Andrewes: It is a result of conservation and the downturn in the economy.

Mr. Di Santo: By how much?

8:30 p.m.

Hon. Mr. Andrewes: I do not have that figure at my fingertips, Mr. Di Santo. If you refer to my opening statement, you will see how much it has shrunk as a percentage of our total energy use. I cannot recall. I do not have the statement here,

but I believe it has dropped some seven to eight per cent.

Can I go on, Mr. Chairman?

Mr. Chairman: Yes. Sorry for the interruption, Minister.

Hon. Mr. Andrewes: I want to deal briefly with the whole question of the note I made with respect to the Suncor investment.

Mr. Kerrio, you raised the issue that we are losing money on that particular investment. I want to relate to you a little experience I had last winter when I went out to western Canada as the Minister of Energy for a province that is a major consumer of energy in Canada, a province that has very few resources in oil and gas.

I met with my counterparts in western Canada. I met with people in the industry. There is a general feeling in western Canada that Ontarians look upon their western brethren as the hewers of wood and drawers of water, so to speak; that we are simply there to rape and plunder the resources—

Mr. Kerrio: Of the west.

Hon. Mr. Andrewes: —of the west, and we are always trying to get a better deal with respect to those supplies we are relying on.

Mr. Kerrio: Those rascals in Alberta are good Conservatives, are they not?

Hon. Mr. Andrewes: Some of them are.

Mr. Wildman: Canada is a big cow. It feeds in the west and is milked in the east. That is how they look at it.

Mr. Kerrio: The argument I made with you was a valid one. In former years when we generated a lot of tax dollars we shared with all provinces.

Hon. Mr. Andrewes: Clearly you have to understand that as a major consumer of that resource we have now taken some initiative to invest Ontario dollars in that resource area.

Mr. Kerrio: In Suncor.

Hon. Mr. Andrewes: As major users we have taken some initiatives to invest Ontario dollars in an integrated oil company that has some expertise in the tar sands operation.

That is an area of expertise which has somewhat limited professional private sector operations going on at this time. Syncrude is the other major one. I think there were probably arguments raised by your party and by others when Ontario involved itself in Syncrude.

Mr. Wildman: Frank Miller, for one.

Hon. Mr. Andrewes: At this point, I do not think anyone would argue the wisdom of that

investment. That opportunity would not have been pursued had it not been for Ontario's participation, and the participation of a number of other provinces, to make sure it got going.

Mr. Di Santo: And Syncrude, why did you sell it?

Hon. Mr. Andrewes: Because at that point—and it is much the same argument, Mr. Di Santo, as I might use for changing the focus of the ministry—the private sector involvement, which was the purpose of the initiative, had been achieved. It was a growing concern, a productive operation.

The particular philosophy I pursue is that you do not continue that intervention when the private sector is capable of carrying it on its own.

Mr. Di Santo: Ontario was a very junior partner in that venture.

Hon. Mr. Andrewes: A very junior partner?

Mr. Di Santo: One hundred million dollars was the investment.

Hon. Mr. Andrewes: But sometimes it takes a lot of junior partners to get a venture going. That was a successful venture and it probably would not have happened without a number of junior partners.

Mr. Kerrio: I have not heard that argument before. It adds some legitimacy to the investment.

Hon. Mr. Andrewes: Do you mean I am converting you?

Mr. Kerrio: No, but that argument has not been made before.

Hon. Mr. Andrewes: If I can just follow it through to its conclusion: when I was in western Canada—I expressed what the western Canadian attitude is in many cases towards Ontario—I said to those people: "Look, you think of us as only a consumer trying to beat you over the head to get the lowest price possible, but we have now taken some initiative to invest in the resource area."

We have taken some initiative with a company that is highly integrated. It has an Ontario presence in the refining business, in the petrochemical business and in the gas and fuel oil distribution business, but it also has an Alberta presence at Fort McMurray and in other operations in that province. We have been able, as a result of that investment, to marry a consuming province and a producing province. We have taken some initiative to invest in that upstream operation, in much the same way as many other corporations have seen the need to invest in their resource supply areas.

If you think of it in those terms and try to get off your arguments about whether it was a good dollar investment, if you think of it over a longer term, think of it as an investment that can bring to some reality the energy security programs of Ontario, you will have a much better insight in terms of the energy policies of the province and the reasons for that purchase. You are looking at me.

Mr. Kerrio: No, I carried the argument forward about the federal scene, as it relates to the federal government's determination now to get out from under that very kind of investment. They seem very positive in what they are doing. I wonder where we are on that score because that whole involvement is certainly interlocking.

When the Liberals were in they sent all this stuff through. God, every day it pumps through the mill, and I am still getting it.

Mr. Chairman: From the Tories now?

Mr. Kerrio: Yes; good stuff. It says they are going to get out of the energy business.

Mr. Di Santo: You did not explain why it was a good investment for us.

Hon. Mr. Andrewes: I tried.

Mr. Di Santo: Not with generalities.

Hon. Mr. Andrewes: You want me to get into specifics?

Mr. Di Santo: Yes.

Hon. Mr. Andrewes: We can recite a whole lot of things. I mentioned in my opening statement the Sarnia investments.

Mr. Wildman: I think you had better bring Frank Miller in to help you make the case.

Hon. Mr. Andrewes: I understand he is busy with other things these days.

Mr. Di Santo, because we are a little limited in time, I would like to invite you next Tuesday evening when Mr. Rowan will be here. Maybe the three of us can have a more in-depth discussion on that subject.

Mr. Di Santo: Yes, okay.

Mr. Kerrio: There is a bottom line I want to have you relate to. I appreciate the argument you have made about the investment in western Canada, because we have a serious problem there. I made mention of that in my remarks. Even though we can talk about the past and what Ontario did to support sister provinces in buying some of their resources when we could have bought cheaper offshore, that is all in the past. They do not have to remember that.

I suppose when you give me the argument you have, that by investing in that resource we

become closer to the producer, my question still hangs there about what good it does the citizens of Ontario and Canada as consumers to own one major oil company in total and 25 per cent of another. That question still hangs there.

Hon. Mr. Andrewes: There is a major difference between owning 100 per cent of a major oil company and owning a 25 per cent interest.

Mr. Di Santo: Exactly; that is the real point, yes.

8:40 p.m.

Hon. Mr. Andrewes: Mr. Di Santo would like us to own 100 per cent.

Mr. Di Santo: No, I never said that. Our position has always been that if you really wanted to have a window on the industry you should have a voice, but now we have no voice at all. All the decisions are made in Pennsylvania.

Do not come to us and tell us they invested in Sarnia because of you. They invested in Sarnia because it was a good corporate investment for the people in Pennsylvania, not because of the government of Ontario.

Hon. Mr. Andrewes: I do not think you will ever find me making the argument about the window on the industry.

Mr. Di Santo: That was the argument the Premier (Mr. Davis) made.

Hon. Mr. Andrewes: I would prefer to make the argument, as I have done earlier, in terms of it being a policy investment that enhances the whole concept of energy security for this province.

Mr. Di Santo: I think it would be more—I do not want to say honest—frank for you to come and say, “We made that decision because within the framework of the energy policy of the federal government it made sense for Ontario, as a consuming province, to get involved.” We accept that.

Hon. Mr. Andrewes: It did at the time, certainly.

Mr. Di Santo: But do not try to convince us of things that do not exist. It has nothing to do with security of supply for Ontario. You know that better than I.

Hon. Mr. Andrewes: No. I am quite prepared to pursue that a little further, but maybe I should cover those other questions.

Mr. Di Santo: You want to make the case to the people of Ontario that because of your \$600-million investment in Suncor Ontario is in a secure position, and if you had not made that

investment we were not in a position that was secure. I do not think it makes sense.

Hon. Mr. Andrewes: You want to see specific results in the short term of two and a half years. The world has changed; the energy world has changed.

Mr. Di Santo: And it will change more.

Hon. Mr. Andrewes: Yes, it will indeed. But I think you have to clearly agree that given the circumstances at the time, given the position of a province that is very vulnerable in terms of supply, we enhanced our position in terms of supply. We perhaps enhanced the whole concept of the national energy program at the time.

Mr. Di Santo: I accept that.

Hon. Mr. Andrewes: Which was an initiative towards self-sufficiency.

Mr. Di Santo: Okay.

Hon. Mr. Andrewes: Mr. Kerrio raised the issue of why Ontario Hydro should be involved in conservation because it would not be in its best interests as a producer and distributor of electricity to have people using less.

Mr. Di Santo: Mr. Kerrio is naive.

Hon. Mr. Andrewes: In the spring of 1981, Mr. Kerrio supported our amendments to the Power Corporation Act that brought in the residential energy advisory program. Mr. Di Santo would suggest that perhaps we stole that program from his party.

Mr. Di Santo: That is right. What do you mean “suggest we stole”? Come on, we developed that program.

Hon. Mr. Andrewes: I would suggest it is in the best interests of a public utility to provide technical service advice to its customers, as it is in the best interests of any corporation to do that.

Perhaps I could take an example that I understand by nature from my background and that is the pesticide business. It certainly is in the best interests of those companies not simply to produce and sell agricultural pesticides to farmers and to encourage them to use more in order to fatten the financial statements of those companies. It is in their best interests to make sure those chemicals are applied properly, at the right rates and that the producer is using the right material at the right time. They go into a very detailed technical service operation in order to do that.

That is really what Hydro is doing. That really is what they are doing with their residential energy advisory program. They are providing technical service to help individual home owners

and industries make choices on what energy supply they will choose, how they can improve the system they are currently using, how they can upgrade it and where they might be someplace down the road in the future. Indeed, they are doing it in a manner that perhaps enhances the saleability of the product they are producing. I would not argue with that.

Mr. Kerrio: It should be within Ontario Hydro.

Mr. Di Santo: We initiated it.

Mr. Kerrio: Look at the reason I have asked the question. Does it make any sense that within the government they should be talking about conservation and still trying to sell surplus electricity? It just cannot happen. There has to be a conflict there.

Excuse me. I did not mean to circumvent this whole process.

Mr. Di Santo: Mr. Chairman, can I answer the member for Niagara Falls on behalf of the minister?

The Vice-Chairman: Yes, go ahead.

Mr. Kerrio: On behalf of the minister?

Mr. Di Santo: Yes. The member for Niagara Falls thinks that Ontario Hydro is embarking on a conservation program but, as he understands correctly, that contradicts the policy of Hydro of trying to sell its surplus, which is amazing. This winter it will have a 54 per cent reserve. So what the member probably wanted to say is that it is impossible for Hydro to be serious about conservation with its vested interest in trying to sell as much electricity as possible.

The Vice-Chairman: Thank you. Now I think the minister may have a word to add.

Mr. Kerrio: You can bank on that.

Mr. Di Santo: That is what the minister would have told the member.

Hon. Mr. Andrewes: I think I have said all I am going to say on that subject.

Mr. Kerrio: All I am saying is that you made the comment that we both come from that sector, the private sector, which really built this country in competition. But I want to put the people who are talking about conservation in competition with the people who are trying to sell Hydro. I do not want them in the same nest, because I just cannot believe that in that way they would be reasonable about selling conservation, for whatever reason. I may be an unreasonable person, but I just—

Mr. Di Santo: Unless—and I want to try to be helpful—Ontario Hydro became a very serious

public utility, like the Tennessee Valley Authority—

Mr. Kerrio: Ah! If the minister became involved.

Mr. Di Santo: —and had the guts to scrap programs that are not needed, like Darlington.

Mr. Kerrio: I am sorry, Minister. We kind of digressed here for a bit.

Hon. Mr. Andrewes: We did.

The Vice-Chairman: Time moves on. We have a number of votes to cover.

Hon. Mr. Andrewes: Can I just mention one point in passing? I think the member for Niagara Falls suggested that perhaps Hydro had an unfair advantage over other competing fuels because of the tax structure.

Mr. Kerrio: I feel very strongly about that.

Hon. Mr. Andrewes: First of all, you have to clearly understand that Hydro is not a natural resource; it is a manufactured product. Right? Do you agree with that?

Mr. Kerrio: To a point. When it manufactures electricity with uranium, I suppose it is doing the same thing as an oil company taking oil from the ground.

Hon. Mr. Andrewes: No. Oil is a resource, and Mr. Lougheed will argue that all he is looking for is a fair rent for that resource in much the same way as other provinces charge a fair rent for potash, uranium, forest products or gravel. I can name a number of other natural resources that are taxed on the basis of what he might call a fair rent.

We do not tax heating oil in Ontario. We do not tax natural gas in Ontario.

Mr. Kerrio: Federally or provincially?

Hon. Mr. Andrewes: I cannot be responsible for federal—

Mr. Kerrio: No, but there is tax on it.

Hon. Mr. Andrewes: There is no tax on fuel oil in Ontario by the Ontario government.

Mr. Kerrio: But there is federal tax.

Hon. Mr. Andrewes: There is no tax on natural gas by the Ontario government.

Mr. Di Santo: Fuel oil?

Hon. Mr. Andrewes: Fuel oil for heating.

Mr. Di Santo: Oh, heating. We know what the ad valorem tax means on gas.

Hon. Mr. Andrewes: He was trying to make a comparison. He was suggesting that Ontario Hydro had an unfair advantage when people were making decisions about electric versus gas versus

oil or some others because of the heavy taxes borne by the resource—

8:50 p.m.

Mr. Kerrio: I was not thinking in terms of the consumed fuels in Hydro. I was thinking of the federal taxes and those taxes that are charged to oil companies on their fuel for heating.

Hon. Mr. Andrewes: I only make those comments in passing, because I think it is interesting if you can think of hydroelectrical energy as being a manufactured product. If you want to make those comparisons in Ontario, let us not forget that we do not tax the products that are competing for the home owners' choice of how they might heat their houses. All right?

You raised the issue, Mr. Kerrio, of oil pricing and discussions I might be having with my federal counterpart, and I think you touched briefly on the whole question of natural gas. I mentioned in my opening statement the concerns we have about the national energy policy, the concerns we have about the role we see ourselves playing in that discussion.

At present, we see two thrusts we must look at very carefully. One is the whole question of natural gas prices. Natural gas is in plentiful supply in western Canada. Oil is not. Oil is a diminishing resource, but natural gas is in plentiful supply. Certainly we have serious concerns for the industrial users in Ontario, that they are having to pay more proportionately for natural gas from western Canada than some of the competing industries in other parts of North America, and indeed in other parts of the world.

Mr. Kerrio: Is that feedstock taxed provincially?

Hon. Mr. Andrewes: No, we do not tax natural gas provincially.

Mr. Kerrio: Just federally.

Hon. Mr. Andrewes: We do not tax natural gas in Ontario. One of our principal concerns is that under the regulated pricing system now in place, free-market principles cannot apply on the price of natural gas. That price cannot fluctuate depending on principles of supply and demand. It can in other jurisdictions. It can in the United States, where our Ontario industries are competing for a market share on the end products they are producing.

What we are emphasizing to the federal government and to Alberta is that we need a more flexible marketing structure for that resource commodity. Our principal concern is in the industrial sector, or if you want to get it a little

narrower, in the petrochemical sector, where that commodity is used as a feedstock.

Mr. Kerrio: Or, as I have described to you, American Cyanamid in my riding.

Hon. Mr. Andrewes: Right, where it is not burned in a furnace for space-heating purposes.

Mr. Kerrio: No, this is feedstock from Cyanamid to make agricultural products.

Hon. Mr. Andrewes: In some cases, and I think Cyanamid is a good example, the cost of natural gas represents up to 70 per cent, or maybe a little more, of the cost of producing the finished product, but Cyanamid is having to market its goods internationally and compete internationally for that market share.

Mr. Kerrio: That is right.

Hon. Mr. Andrewes: That is a major concern we have and we will be pursuing that one with some vigour.

You raised the whole question of pipelines, of better utilization of natural gas and, therefore, perhaps a more extensive transportation system. I think we are well-served by the transportation system now in place, but we have to be very diligent in our discussions with the federal government about how much we should be paying for transportation of that natural gas.

Mr. Kerrio: I think it is up to 25 per cent right now.

Hon. Mr. Andrewes: The point you raised is a good one. In discussions I have had with people in Alberta and with my federal counterpart, I try to make the point that it is in the best interests of Canada and can be in the best interests of Alberta and Ontario that we address some of these problems, because they are very serious problems. An investment, a profitable natural gas industry, has a spillover into Ontario. They will do more exploration. They will do more development. They will buy steel from plants in Welland in order to do that.

Mr. Kerrio: In regard to it being to their advantage to ship to their neighbouring states in the United States, I suppose what I was thinking is that we might have to make an investment in pipelines. If they just feed our pipe, we could assure them there would be no extra cost to them to get it to Ontario and we would have to accept an investment there.

Hon. Mr. Andrewes: At the same time, our industries in Ontario have to be competitive in a world market.

Mr. Kerrio: Oh, yes.

Hon. Mr. Andrewes: If they are not competitive in a world market, they cannot buy that natural gas from Alberta, because those natural gas producers in Alberta will not have the profits they are looking for to reinvest in their industry. It is a great big circle that we have to address and we have to set aside parochial differences in that debate. We have to look at it from the point of view of what is good for Canada. I do not think we disagree on those basic principles.

Mr. Kerrio: No, not really.

Hon. Mr. Andrewes: Mr. Di Santo raised a number of questions about Ontario Hydro. I think we could probably cover those during the time the Ontario Hydro personnel are here.

Mr. Kerrio: Are they going to be here next week?

Hon. Mr. Andrewes: They will be here next Wednesday and Thursday. There are probably several other issues that might come through in the course of this evening's discussions, so I think I will stop there and deal with them as they come along.

The Vice-Chairman: Thank you. Do we have any questions from committee members?

Mr. Kerrio: We have been following along in that, but I suppose I could add a dimension to the questioning. I am sure the minister has received the correspondence from Ottawa.

Excuse me, Mr. Di Santo. The minister was mentioning your questions. Do you want to participate?

Hon. Mr. Andrewes: Mr. Di Santo, I mentioned you had touched on a number of issues on Ontario Hydro matters. I thought we could nicely cover them next Wednesday and Thursday when the Ontario Hydro representatives are here. I can go through them tonight if you wish, but I think probably we can have a much more effective discussion if it is a three-way discussion.

Mr. Di Santo: I am flexible, but some questions of general government policy should be addressed by the minister.

Hon. Mr. Andrewes: Do you want me to do that now?

Mr. Di Santo: No, the timing is—

Hon. Mr. Andrewes: I am concerned that we have only an hour and a half this evening. We have the main office votes to cover and these questions you raised about renewable energy technologies and so on have to be done in the next hour and a half.

Mr. Chairman: Are you prepared to proceed on the main office votes, the administration votes? Are there any questions from any member? Rather than pin it down to items 1, 2, 3 or 4, I think we can have general questions on anything in the administration program.

On vote 2101, ministry administration program:

9 p.m.

Mr. Kerrio: I would like to pursue a couple of questions on administration.

I do not think we are going to have any problem with the minister or the votes in burning up the time allotted. If we do not get through the votes, it would not matter too much if we proceed even from the opening statements.

I am going to read into the record a couple of things that disturb me in relation to my questions to the minister. I do not know if you realize what a tremendous hurdle you are going to have to get over with the new federal government in terms of energy involvement on the federal scene. I should read these telegrams into the record:

"October 29, Vancouver: The federal Minister of Energy, Mines and Resources, Pat Carney, and her energy counterparts in Alberta, British Columbia and Saskatchewan announced today that the existing amending agreements between each province and the federal government would be extended to January 31, 1985.

"Miss Carney said, 'This extension gives us some breathing space in which we can undertake a comprehensive renegotiation of the current energy pricing and taxation regime.'"

This brings into focus the concerns I have about the whole federal picture as it relates to Ontario.

"Mr. Zaozirny of Alberta, Mr. Rogers of British Columbia and Mr. Schoenhals of Saskatchewan noted that they are encouraged by the spirit of co-operation and consultation that is being demonstrated by the federal government. This marks a new approach in federal-provincial relations."

That gives me some cause for concern. What they are really talking about here is those rascals in western Canada. It is obvious that somehow we are not participating in these discussions.

"Miss Carney noted that she and her provincial counterparts"—she should have said her western provincial counterparts—"have already begun a process of renegotiating the major energy pricing agreements. 'We have discussed the agenda and my expectation is that we will have major changes to the current regime in place by the end of the extension and perhaps sooner.'

"The four ministers have instructed their officials to hold their first meeting shortly to review detailed agenda items. Miss Carney indicated that significant consultation with ministry and consuming provinces have already taken place"—that is us, "consuming provinces"—"and this will continue through the implementation stage of a new energy agreement."

This really points up the concerns I expressed to the minister. Here is the new Minister of Energy, Mines and Resources talking to her western counterparts, talking about them as producers and about us as consumers, but not talking about an all-Canadian involvement. Even before I got these telegrams, I was pointing out to you my concerns about where we are headed in the whole federal scene as it relates to us as a consuming province.

Hon. Mr. Andrewes: Can I make one comment before you go further? My memory gets short on these things.

Mr. Kerrio: Yes.

Hon. Mr. Andrewes: First of all, you have to appreciate that the amending agreements themselves are agreements between Ottawa and the producing provinces. What is being talked about is an extension of the amending agreements that were made in September 1981 and were subsequently amended in June 1983. They are due to expire and will be extended to the end of January 1985.

I think Pat Carney brings to that portfolio a wealth of background in the energy business. Three days after she was sworn in, she visited me as the minister in a consuming province.

Mr. Kerrio: I suppose the biggest consuming province.

Hon. Mr. Andrewes: In fact, I was the first one she visited. Then she moved across Canada to talk to my counterparts in other provinces. I do not want you to get the impression we are left out of this discussion. That telegram is simply saying the existing agreements will be extended.

I guess one wants to get a western perspective into this argument too. I quote from the Edmonton Journal of Wednesday, October 24, from an article headed, "Ottawa Won't Budge on Oil Price." A quote from the federal Minister of Energy, Mines and Resources, Pat Carney, says, "Canada plans no immediate move to world prices for all Alberta oil, despite Premier Lougheed's feeling that now is the best time to act." What is being looked for is some time to address the major issues.

Mr. Kerrio: I cannot quarrel with what you are saying. What I really said in my opening remarks was that I hope you are prepared to make a full-fledged assault on protecting our interests. If I go to the second telegram, you will begin to realize what I am talking about.

Here is another one from Ottawa and the ministry of energy, from Vancouver. "The ministers of energy for the governments of Canada and British Columbia, Pat Carney and Stephen Rogers, today reaffirmed their support for the western LNG project," which is the export of liquefied gas to Japan. "During their meeting in Vancouver, the ministers discussed progress being made on the proposals to ship liquefied natural gas from Alberta and British Columbia to Japan. The ministers noted that the project could provide a new market for surplus Canadian gas."

I hope that the minister in his discussions with Pat Carney—I do not think I am being facetious in calling her Pat Carney in this forum—will tell her there is no such thing as surplus Canadian gas. That terminology has to be stricken from the record. What the hell does surplus mean? When there is a huge find of natural gas, it is not surplus.

It is to be hoped there is a certain amount of gas there to be used diligently for future generations of Canadians, not to drill six holes in the ground and pull it out faster than Canadians need it so we can ship it to Japan or the United States. I hope you can convince people never to use that word again. There is no such thing as surplus Canadian gas. It offends me. The Liberals use it and now these new birds are using it. It does not matter to me which ones use it—there is no surplus gas.

I feel strongly about it. They have to talk about it as surplus so they can talk about exporting it to the United States or Japan. What they are really saying is that if we pull it out of the ground faster than we need it, we are taking it away from future generations. I might not even quarrel with them doing that if they used the proper terminology and said, "We need a transfer of funds to bring our country back to some sort of stable economy." I might accept even that, but I cannot ever accept having any federal member or any person in western Canada tell me that there is such a thing as surplus Canadian gas.

The ministers noted that the project could provide a new market for surplus Canadian gas and strengthen energy trade ties with Japan. The project also offers significant investment and employment opportunities and the chance for the Canadian natural gas industry to gain experience in gas liquefaction technology. The ministers

said that they were encouraged by the efforts of the recently formed Canadian corporation to restructure the project to attract additional participants and noted that the progress has been on the clarification of natural gas pricing regimes and the financing arrangements.

"The ministers are aware of the time constraints faced by the Japanese buyers in securing new supplies. However, in view of efforts by the Canadian corporation participants to develop the project on an economic and viable basis, the ministers expressed the hope that the Japanese buyers would continue to demonstrate patience for a short period of time to allow the Canadian-Japanese partnership an opportunity to come to a final resolution of the project."

9:10 p.m.

I have been on this job a fair amount of time and I have a very deep-rooted feeling about Canada and Ontario and what we are all about. I said the same thing about uranium when they were digging our uranium out of the ground and shipping it to Japan. Those little rascals would not buy our Candu reactor, but we saw fit to supply them with uranium. I said at the time to many very able individuals that uranium does not go bad. If we do not sell it to the Japanese, it would be there for us to put in our own Candu reactors.

I say the same thing about our western oil and our western gases. I am trying to impress on you the need to make a real argument to those federal people not to decide that we should be sending those natural resources south of the border or over to Japan. Maybe if we are in Canada, and Canada is what it is supposed to mean to all of us, we should be bringing those natural resources to the manufacturing heartland of Canada and exporting it in finished products.

I say that with the greatest respect and I am really offended by that term "surplus gas." It is not infinite; it will run out some time. For whatever it is worth, I am making the same argument I made in my opening remarks.

I hope that when you are talking with our federal counterparts that they do not argue that the way to get our country back on the road economically is to go back right into tremendous exports of the basic natural resources and not put them into finished products. For whatever it is worth, I try to make the opposite argument to you.

Hon. Mr. Andrewes: It is not a bad argument, but you want to bear in mind that we are rich in resources in this country and we have taken some initiatives at various levels to export

some of those resources. It has brought money into the country to strengthen other things we do, to strengthen other industrial sectors, to strengthen the social system.

There are certainly restrictive measures in place to prevent—

Mr. Kerrio: I expect that you might have to do some of those things. I just hope we do not get locked in to the long-term involvement.

Hon. Mr. Andrewes: That is what I am trying to say. There are restrictive measures in place to prevent the reserves falling below what people more capable than I would view as being what is required for an extended period of time for Canada. Certainly, in western Canada there are many capped gas wells. There are locked-in supplies of natural gas where companies have made a substantial investment to explore and develop these reserves and are now in a position only of sitting on that investment and waiting for a market.

Mr. Kerrio: Let me make a ridiculous argument. You come from the farm. You are another natural producer. Do you know we restrict what our farmers can produce so we can have an equitable, reasonable market?

I am trying to say the same thing about our capacity in those natural resources. We should not exploit them because they are there and we can draw quicker from them.

Hon. Mr. Andrewes: I think you would agree there is a balance?

Mr. Kerrio: Yes, but if it is left to some people, there will not be a balance. They will draw from it and ship it to Japan and the United States because they have a ready market there.

Hon. Mr. Andrewes: Our position in Canada is that we do have ample supplies of natural gas. We are not in the same position on oil. Some of the nations of the Organization of Petroleum Exporting Countries are in the same position with oil and they are going to sell it as a commodity that is required around the world.

Mr. Kerrio: How far down the road are we going to rue the day we decided this was all surplus and we just pumped it out at any rate we wanted it? It is inevitable it is going to catch up with us.

Hon. Mr. Andrewes: There are other opportunities to develop those reserves.

Mr. Di Santo: What Mr. Kerrio is trying to say is history teaches us that in the long run all the natural resource producing countries become the poor countries of the world. If you look at

Argentina and Chile in South America, you can see that is what happened.

Even if we have plenty of gas, in the long range these resources are not renewable so they will be exhausted. What Mr. Kerrio is asking is, why do we not diversify our economy to the point that, instead of exporting natural resources, we export finished products that we produce in Canada? Am I right?

Hon. Mr. Andrewes: I have no argument with that.

Mr. Kerrio: What is happening?

Mr. Yakabuski: Quorum call.

Mr. Kerrio: Odoardo is not part of the quorum; he is here.

Hon. Mr. Andrewes: What are we going to do now?

Mr. Chairman: Just keep on going, I guess. We will not worry about it. If they want us, they will come and get us.

Hon. Mr. Andrewes: I understand what you are saying, but I think it is important that you understand. Philosophically we may have some differences.

It is important to understand that natural gas is a rich resource; there are opportunities to sell it in other parts of the world. But in order to achieve some of those things—the industrial infrastructure, the industrial sector that can build, grow and export finished products to the rest of the world—we need those revenues.

Mr. Kerrio: Yes, but my son has a plant that has a three-inch gas pipeline coming into it to fabricate a product. That is where I want it, because he ships a finished product out.

Now I have to read you my last telex from Ottawa, October 31. I am sure the minister has a copy of this:

"Ottawa. Energy, Mines and Resources minister Pat Carney announced today that the firm of Ernst and Whinney has been asked to review the 1981 acquisition by Petro-Canada of Petrofina Canada Inc.," and a subsidiary will investigate the acquisition of Suncor.

Hon. Mr. Andrewes: No, you are reading between the lines. We have already done that.

Mr. Kerrio: I got carried away there.

"Taking into account the information known and available at the time of the acquisition, the firm will inquire into whether any evaluation of Petrofina Canada was made by or for Petro-Canada in accordance with the usual business practices; whether the value established in any such report represented a fair value of the

purchased company; if not, what fair value of the company was; whether any premium paid over and above the stock market value was comparable to premiums paid in similar situations in the private sector; whether the value of Petrofina Canada Inc. as set out in any post-acquisition evaluation reports made by or for Petro-Canada was a fair value.

"Ernst and Whinney is expected to submit its report by January 31, 1985. Their report will be provided to the Auditor General."

Is it not strange that your federal counterparts would question the acquisition of an oil company, 100 per cent of which they bought, while we here decide on a provincial basis to make a purchase of 25 per cent in the same kind of circumstances? But I have never before heard the argument that you made tonight.

Hon. Mr. Andrewes: Different circumstances, with respect, because I do not think it is fair to compare purchasing 100 per cent of Petrofina, a company whose shares traded publicly on the stock market at, what, \$80?

Mr. Havrot: Originally at \$50.

Hon. Mr. Andrewes: Originally at \$50; the stock expert over here.

Mr. Havrot: It went to \$50, then to \$80 and then Petro-Canada bought it at \$120.

Mr. Kerrio: Your friend made money on that deal. I know that.

Mr. Havrot: I made only \$1,200 on it. I could have made \$3,500 on it, because I sold at \$85 and it went to \$120.

Mr. Kerrio: You should have hung on.

Mr. Havrot: But I did not have any inside information from my Liberal friends.

Mr. Kerrio: No. Besides, you did not trust those feds.

Hon. Mr. Andrewes: I do not think it is fair to make the same comparisons. It came at a different time; it was a different company; its shares traded publicly on the market. In the Suncor situation the Ontario government bought a 25 per cent interest in a company that is far more integrated in its oil and gas reserves and its oil and gas operations in the upstream operations in Canada.

Mr. Kerrio: Petrofina probably does not involve itself in that kind of circumstance, as Suncor does, especially in western Canada.

9:20 p.m.

Hon. Mr. Andrewes: In the tar sands? They did have some oil-producing operations; but not

to the same extent, in their overall operations, as Suncor.

The important thing to realize is that the Ontario government did have that kind of a study done at the time the purchase was made. It was done not only by one outfit, McLeod Young Weir, but also by Price Waterhouse, to place what was viewed to be a fair value on those shares. It was done in confidence because of the necessity for the company to be open with its information. In order for that appraisal to be effective, an agreement had to be entered into to keep that information in confidence.

We have already done the kind of assessment that the government of Canada is now embarking on doing with the Petrofina purchase some two and a half years after the fact.

Mr. Kerrio: Do you think this kind of an assessment of a government purchase is going to make any difference to the acquisition of Suncor by Ontario?

Hon. Mr. Andrewes: I do not think the two are related.

Mr. Kerrio: Okay, thank you.

Mr. Chairman: Mr. Wildman, you had some questions?

Mr. Wildman: Mr. Chairman, I have some questions about Ontario Hydro rates. I do not know whether it is appropriate to raise them here. I am concerned about the government policy on these rates, not about Ontario Hydro's rate-setting structure particularly.

Mr. Chairman: I do not know whether that can be related to this particular vote.

Mr. Di Santo: Yes, under main office.

Mr. Chairman: Do you think so, Mr. Di Santo?

Mr. Di Santo: That is my judgment.

Mr. Wildman: First, I would like to know what effort is being made by the government to change, once and for all, the differential between rural and urban rates; that is to persuade Hydro it should have uniform rates across the province.

Hon. Mr. Andrewes: You understand we have a different system in Ontario from other provinces.

Mr. Wildman: That is why I thought it fitted under this vote, since it is a policy question.

Hon. Mr. Andrewes: In our system we have 360 or 370 municipal utilities that buy electrical energy from Ontario Hydro and distribute it within their municipal boundaries. In some cases these municipal utilities also generate electricity and distribute it within their municipal bound-

aries. In some cases they have surpluses in generation and they sell back to Ontario Hydro, but in most cases they are simply buyers and distributors.

That allows each municipality to determine the kind of service, the quality of equipment and the level of service it wants to provide to its ratepayers. The rate base it offers its customers reflects that level of service.

The municipalities all pay the same rate to Ontario Hydro for the electrical energy they buy, but some are able to distribute it more efficiently and effectively than others. Some may decline to do things such as burying cables in subdivisions. They prefer to run the lines overhead, which is less expensive, and that is reflected in the rate. We do have a different system.

The rural area is served by Ontario Hydro in both distribution and the electrical energy itself. You are suggesting we equalize that rate across the province, as has been done, I believe, in Quebec—

Mr. Wildman: And Manitoba.

Hon. Mr. Andrewes: Hydro-Québec serves every customer. Every user of electricity in Quebec pays a bill to Hydro-Québec.

You are suggesting we do away with the system of municipal utilities across the province. I do not think, as a government, we are ready to do that. As a government, we are rather concerned that in the rural areas the differential or gap between the rate being paid by rural users, particularly rural residents, and municipal residents was widening.

We brought in legislation in 1981 to cap the differential at 15 per cent. That legislation required Ontario Hydro to find moneys to serve those rural customers so the gap did not grow beyond the 15 per cent level.

Mr. Wildman: You found some of that money in provincial coffers.

Hon. Mr. Andrewes: We did in 1981. In 1982 the moneys were found within the whole rate structure, so each municipal utility shared in supporting that cap. I guess what you are saying is that you would like to see that average shrink even further.

Mr. Wildman: Yes.

Hon. Mr. Andrewes: Under the municipal utility structure it would be impossible to have one rate for every householder in the province. You would first have to forget about the whole principle of municipal utilities with each municipality having a degree of autonomy in service and

the rate it offers its customers and how it allocates the costs to the customers.

I do not think I am ready to suggest we do that. I think it is a pretty good system when municipalities can make those judgements on their own. We have narrowed the gap. Perhaps we need to address the whole issue of whether the 15 per cent is a realistic figure.

I am willing to pursue that point, but I am not willing to pursue the kind of direction that would see the municipal utility structure done away with.

Mr. Wildman: I understand what the minister is saying. While there are a couple of small municipal utilities in my riding, and of course in the city of Sault Ste. Marie there is a large public utilities commission, he may understand that most of the municipalities in my riding, and certainly the large area of my riding which is not municipally organized at all, are served directly by Ontario Hydro; except for the area where a private utility company, Great Lakes Power Ltd., serves the rural residents.

That private utility company has an agreement with Ontario Hydro by which I believe it purchases about 40 per cent of the electric power it provides to its consumers. Its agreement is that it will not sell that power to consumers at rates higher than Ontario Hydro would charge, retail, to its consumers.

When you think about it, that is not a bad deal for Great Lakes Power because the 60 per cent it generates itself is hydro power. It agrees not to charge more than Ontario Hydro. Ontario Hydro's rates, of course, take into account nuclear generation, coal generation and so on, which means that Great Lakes Power is doing all right on the deal.

When you consider that factor in the large area in my riding that is served by Great Lakes Power, it would be useful at least to lower the differential between urban and rural rates. I am not particularly out to cut Great Lakes Power's margin, but I think it would serve the consumers a good deal in that area of the province to have it at least closer to what the people in Sault Ste. Marie pay through the public utilities commission to Great Lakes Power, for electricity for the rural residents of Algoma.

9:30 p.m.

Hon. Mr. Andrewes: I think what you are essentially saying is that the 15 per cent differential is too high a figure—

Mr. Wildman: Yes.

Hon. Mr. Andrewes: —that we need to address what that differential should be. I

suppose you would say there should not be any differential.

Mr. Wildman: Eventually I would like to get to that point, yes. I am not saying it has to happen all at once.

Hon. Mr. Andrewes: I could not disagree in total. I can only tell you that when we have this municipal utility structure it becomes very difficult to do that. It becomes increasingly difficult when many municipalities continue to insist, as their fringe areas grow and as new subdivisions open up, that they would like to take off a little chunk that is in the Hydro rural service area but now has a sufficient customer density for it to be beneficial for that municipal utility to take a little piece of that action.

Indeed, there will be some legislation in the House tonight that addresses restructuring of a utility. We have held to some very basic principles that if utilities are going to move their boundaries they move to the full extent of the municipal boundary and take in part of that rural service area, even though it may cause their rates to increase to their total customer base. It is unfair to allow them to skim off a selected group of customers.

Going back to the question of Great Lakes Power Ltd., a private sector generator—

Mr. Wildman: Owned by Brascan Ltd.

Hon. Mr. Andrewes: Yes—using private sector money. You raise an issue that perhaps once we see beyond the existing installed capacity to the future installed capacity of Ontario Hydro being developed today, we see some needs beyond that.

I think there are valuable contributions to be made by the private sector towards investment in generating capacity beyond the existing system.

Mr. Wildman: As you know, Great Lakes Power has just invested \$150 million in a new generator on the St. Marys River. Compared to Ontario Hydro's generating capacity it is quite small, but it is a substantial investment for that company.

Hon. Mr. Andrewes: When I made that opening statement yesterday I talked about flexibility in the system. I think, as we move beyond, if you want to call Darlington the benchmark, Hydro will have to consider very seriously what they do with respect to meeting the electrical needs of the people of this province.

Is it cogeneration; is it private sector investment in generating capacity; or is it small hydro? I wish Mr. Reed were here tonight because we could have a long discussion on—

Mr. Kerrio: We are on the same wavelength. Small hydro can only be run by individuals. Small hydro cannot be run by Ontario Hydro.

Hon. Mr. Andrewes: But I think there is some significant value—

Mr. Kerrio: Private sector.

Hon. Mr. Andrewes: When you appreciate the long-term planning that goes into a major generating operation like Pickering or Bruce or Darlington, the lead time that is necessary, there are some significant advantages in having a more flexible system that will achieve the goal of meeting the electrical needs of the customers without those drawbacks of that long-term financial commitment, of that large public debt, of that successful entrepreneurial attitude of the private sector.

Mr. Di Santo: That is exactly what we have been talking about. You are talking about flexibility and Ontario Hydro is still committed to \$65 billion between now and the year 2004. You are totally committed to nuclear generation. How can you achieve flexibility when you are committing all those resources?

You know very well—I said this yesterday and you did not answer this point—that the whole discussion we have been having in the House about the triple-A rating is based on that, because the province has limited leverage and can borrow only so much. If the province is going to guarantee Ontario Hydro for \$65 billion on the New York market, then other programs must suffer. One of the programs that is suffering this year is your ministry. You are cutting your staff by 20 per cent because the Premier (Mr. Davis) told you to apply restraint on your ministry. That is what he said last week.

Hon. Mr. Andrewes: Let me correct one point. The 20 per cent staff reduction in the ministry is Mr. Howard's figure. It is not an accurate figure.

Mr. Di Santo: The 120 people?

Hon. Mr. Andrewes: It is not an accurate figure.

Mr. Di Santo: How many people are you going to fire?

Hon. Mr. Andrewes: I think the other thing you want to realize is that a lot of the \$65 billion in debt is the rollover of existing debt, the refinancing of existing debt as bonds become due and so on.

Mr. Di Santo: I did not say it is new debt, but it is still \$65 billion.

Hon. Mr. Andrewes: Let us be clear on that. Hydro is committed to the completion of the generating system that has been planned since the mid-1970s, the completion of Darlington. Hydro is now in a position in the next two, three or four years of having to look ahead of Darlington at what the electrical needs in the province will be and at what sort of capacity will have to be built into the system to meet those electrical needs.

Mr. Di Santo: Okay, but you are looking in only one direction; that is what we are saying. You are looking only to nuclear generation and you cannot touch the inflexibility if you are looking only in one direction. That is the point I am trying to make. Of course, you cannot answer because that is the decision that has been made.

But the question I am asking is, how many people are you going to fire because of the restraint imposed on your ministry?

Hon. Mr. Andrewes: Maybe the deputy should respond in some detail to that.

Mr. Di Santo: I did not ask questions of the deputy the other day because he had a jacket reminiscent of—

Hon. Mr. Andrewes: Treasury days.

Mr. Di Santo: No. Remember in 1975 when he kept shutting down hospitals all over the province?

Mr. Chairman: So he changed his jacket and now you are going to ask him the question.

Mr. Allan: Do you want me to answer, Mr. Minister?

Hon. Mr. Andrewes: I think it is probably appropriate that we deal with the whole question of the reorganization.

Mr. Lupusella: I think it is 100 people who will be laid off, because we are not considering the 20 per cent figure any more. Maybe it is less than that.

Mr. Allan: We gave you people some numbers in that modest kit that was passed out, as I recall. There is a table here that indicates how many people are on staff. At the most current date it is 266. Forgetting the corporation, the energy board and the people we get service from in the Ministry of the Attorney General, there are about 230 people; and 216 of those people, in one form or another, are in the ministry today.

9:40 p.m.

We have a lot of unclassified people, contract people and some secondments. I do not think we are looking at anything like 20 per cent. In fact, we are trying to restructure the ministry to get more mileage—and that is program output,

whether it is alternative or demonstrations, conservation projects and so on—to get more effective and more responsive output per dollar.

The salary budget in the ministry is about \$9 million out of the totals, and that is frankly one of the reasons we gave you these highlight numbers, so you would not be mesmerized by the big numbers but would really get down to what we are talking about. The salary and benefit vote in the ministry is \$8,661,200. Like every other ministry, we have to try to constrain ourselves and live within the resources allocated. You people vote to pay those bills and pay those salaries.

A periodic review of a ministry, whether it is Energy or any other ministry, is a very healthy thing. I do not think you should equate at any time the number of bodies with the output of a ministry. I do not think you should equate, necessarily, the funds voted with the success of a ministry, because there are many ways of doing things differently and better as the world changes.

We are making some changes. We are trying to be more productive and responsive to the new energy companies that have developed, the 600 energy companies that have developed in this province, partly because of the leadership of this ministry and this government. They are trying to make a buck out there. If there is a company trying to make a dollar, doing the same thing and trying to achieve the same objective as the government, and we led the way and showed them there is a market and some money to be made, there is no reason to have a public servant one way or another doing the same job.

We are looking at sweating down a little bit, quite clearly. We are also looking at doing things more effectively and being more responsive. The world is changing. The government of Canada has changed. We have to deal with it. We have to get relationships with our sister ministries that are modern, that reflect the potential and the opportunities ahead of us.

Probably the end result of this whole reorganization, of 40 or 50 people being moved around, is we will have a strengthened capacity in a number of areas; which is essential. Some time before these estimates are finished, Mr. Kerrio, we will be tabling some information for you which is enormously expensive to collect, but we are doing it because there is a generic question in the House about contracts and people and all those things. We will have all that information.

The idea is to do things better, to be a little more creative and show some initiative, but also

to respond. I suggest that fewer than 20 people net, after all is said and done, are going to be affected in the sense of the total manpower impact of the ministry. During that process, there will be some significant opportunities for a lot of people in the ministry as well.

This is not some kind of scorched-earth policy or anything like that. It is a very simple business of assessing the people we have, the businesses we are in, the changing demands in the world and trying to get the best value for the taxpayers' dollar. That is the business we are in. You people vote the resources. That is what we are here debating tonight.

It is not 20 per cent and it is not 120 people. There may be 20 people involved. Some of those people may make some choices about their future and the opportunities available. Many of them will find opportunities elsewhere in the government, so it is not the end of the world, the end of the ministry or the end of anything. It is just good management.

Mr. Lupusella: Mr. Chairman, I have a supplementary on the same issue. What is not clear to me is that you mentioned 50 people being moved around. I would like you to be more specific. Are they going to be assigned to different roles within the same ministry or does "moved around" mean they will lose their jobs?

Mr. Allan: Within the ministry, there may be upwards of 50 people. That does not in any way diminish the objectives we seek. It does take into account our relationship with the government of Canada, the best way to deliver programs, the new things we are interested in pushing, because we have to be at the frontier, we have to be the cutting edge for some things for some period of time.

Perhaps the best example I can give is that I started a program when I was not even in this ministry. It is now over, but it had to do with industrial retrofits; it had to do with putting curtains on loading bays; it has to do with fans and motor retrofits in industry. The idea was very simple. Back around 1979 or 1980 we knew that private sector investment decisions in our manufacturing sector did not take into account energy costs as being very significant. They were interested in marketing, sales and other kinds of things in terms of the way they made their investment decisions.

We had to put a tilt into that system. There were high interest rates. The energy conservation or efficiency decision was not getting to the boardroom table to the extent it needed to. This government started a program. The Ministry of

Energy was very instrumental along with the Ministry of Industry and Trade, where I was, in encouraging participation. We put in \$8 million or \$9 million. The program ended in December 1983.

That is part of the reason, by the way, that our program expenditures have shifted; that program ended. The private sector put in—

Mr. Kerrio: Was that conservation program in the ministry?

Mr. Allan: A lot of the programs in the ministry of industry and the funds that you vote move through and are delivered and executed by the Ministry of Transportation and Communications, the Ministry of Colleges and Universities or the Ministry of Industry and Trade.

That was an off-oil program, but also an energy conservation program, that tried to encourage private, particularly smaller companies, to think about their cost structure by putting an incentive out, sending out a box, showing them the savings potential and assisting them in investment.

Mr. Kerrio: I am raising the question for a specific reason.

Mr. Allan: It was delivered through the Ministry of Industry and Trade.

Mr. Kerrio: I want to take it out of Hydro's hands. I would be more appreciative if the Ministry of Energy were to take over that whole concept of conservation.

Mr. Allan: That had nothing to do with Hydro.

Mr. Kerrio: I know it does not.

Mr. Allan: That did not have anything to do with Hydro. That program brought forward \$40 million of private sector investment.

Mr. Kerrio: I would say it should.

Mr. Allan: It did. It brought forward \$40 million of private sector investment. The incentives from the province voted through this ministry over three years amounted to roughly \$8 million.

Mr. Chairman: This is really still Mr. Wildman's question. I do not know how these supplementary—

Mr. Di Santo: Mr. Chairman, on a point of order: I do not think we have any problem about the restructuring aspect of the organization in the ministry. The main concern raised by my colleague was to find out how many people would be laid off as a result of the restraint program.

Mr. Allan: I told you the number; the number is 20.

Mr. Di Santo: We are talking about 20 people. That is what we wanted to know. We do not have any problem with what you are doing in restructuring the organization. It is up to the minister to invest the best dollars and get the best results.

We were extremely concerned to find out how many people would lose their jobs as a result of the restructuring aspect of the organization. It appears we are talking about 20 people; am I correct?

Mr. Allan: We are going through what I regard as probably the most elaborate process I have ever been involved in as a public servant to evaluate the talents we have in the ministry, to search out their aspirations as to what they would like to do and where they think they would fit in, and to put our talents together; but also to become business-oriented in the sense of getting the best value from those people and strengthening the thing that Mr. Kerrio mentioned.

We have to be the best informed. We have to have the best information that you would ever believe to go into bargaining sessions with the government of Canada and our sister provinces. That takes a lot of money and talent.

We also have to deal with a changing world for private sector companies, energy service companies and a number of people. We have led the way in many things. Our job now is to market it and make it happen, because with the end result and the kind of objectives and results we have shown you here, it does not really matter whether government does it, it matters that it happens.

If somebody else can make a dollar out of retrofitting a business or a government building and employ private people, there is not necessarily any role for a public servant other than to ensure we are in that business and there is a drive towards that objective.

Mr. Di Santo: We all agree with that.

Mr. Allan: We are looking at a net result of 50 people changed around, but in my view it will be a much stronger ministry a year from now.

9:50 p.m.

Mr. Di Santo: I hope you are right. The 20 people who are eliminated—

Mr. Allan: I did not say they were eliminated. I said there would be 20 people. We have 56 contractual people. We have publications. The Ministry of Municipal Affairs and Housing has publications. I asked a very simple question: let us get together, do it well for the government, for

the public presence, but not do it twice. We are looking at things like that. That does have some problems.

Mr. Di Santo: Eliminate duplication of work done by other ministries: is that what you are going to do?

Mr. Allan: That is right. We are looking at all of those aspects. We are looking at our relationship with the government of Canada, frankly, to ensure that the impact of a public energy presence in Ontario is the most efficient possible.

They may do some things, we may do some things. We both do not need to have civil servants chasing and beating up the same poor little client out there. He just wants results. That is what I want.

Mr. Di Santo: I understood there would be 20 jobs eliminated and between 40 and 50 jobs reclassified. Now you have confused me completely because you are saying that is not true, 20 jobs will not be eliminated.

Mr. Allan: When you tell me a job is eliminated, I am thinking of somebody out on the street without a paycheque. There may be homes, and there are homes, where people may make personal career choices. There are opportunities for people in other ministries. We can get together with other ministries and determine that collectively we can do it better. I think our ministry must be smaller. We are over budget in the sense we must hit the norms and the salaries and wages voted by this committee and this Legislature and we are going to do that.

Mr. Di Santo: Excuse my narrow-minded approach, but I am discussing the estimates of the Minister of Energy.

Mr. Allan: That is right.

Mr. Di Santo: There is a reduction of budget for personnel.

Mr. Allan: No, there is finding a way to accommodate the allocation for salaries and wages which you are voting on tonight and to ensure we do not overspend. That is what this is about. In terms of people, it is also to get more effective use of the people we have and to direct it in the areas that are becoming more important.

Mr. Di Santo: I do not quarrel with the intentions behind your proposal. I am saying, as a result of what you are proposing tonight to us, from your ministry point of view—not the general policy of government, because the general policy of the government is something else that we are not discussing tonight—how many jobs will disappear?

Mr. Allan: As a ministry?

Mr. Di Santo: Yes.

Mr. Allan: You define a job for me. If I have somebody on a short-term contract, finishing off, who happens to be on staff today and that contract is completed and we decide not to pursue that, is that a job lost?

Mr. Wildman: Permanent jobs.

Mr. Allan: Permanent jobs? Very few. I doubt if it would be 10.

Mr. Di Santo: Ten. Okay. We have to take you at your word. Will these 10 jobs be eliminated in the area of conservation or renewable energy? In which sector will they be eliminated? I am not quarrelling with the idea that you want to make the best possible use of the personnel available to you, but from which sector would they be eliminated?

Mr. Allan: To be very frank, if you look at your vote structure—and I will go back to the first thing I said—one does not deliver conservation by the number of bodies you have in conservation. One delivers it by the effectiveness of the total resources you bring to bear.

Mr. Lupusella: Then why did you hire the people to deliver the program in the first place? Why?

Mr. Allan: Listen, there are people hired at different points in time and I have been involved in some of the biggest hiring programs in this government over many periods of time. But when they have achieved the result and the world has changed and gone on to the next stage, you do not keep a lot of people hanging around trying to find a job for themselves.

What you do is use those people most effectively within the ministry and within the government to achieve a collective result. There is going to be no diminution in our conservation thrust. In fact, I predict it will have a reinforced impact—nor in the alternatives and renewables, nor in the research and development. We are going to strengthen. We are shifting people into policy. We are shifting people into central core functions which are important now because we have to husband every dollar that is voted for us.

Mr. Lupusella: Are you launching this new course of action at the present time because a Progressive Conservative government has been elected in Ottawa and you think different ministries in Ottawa might pursue the same type of programs which are not useful to be pursued by Ontario? I would like a clear explanation of why you are doing that.

Mr. Allan: Hell, we are 10 years ahead of the government that is elected in Ottawa. We will give them lots of ideas where to find out—

Mr. Lupusella: With the Conservatives there—

Mr. Allan: It does not matter who is elected in Ottawa. We are 10 years ahead of them in using public funds effectively and using public servants effectively to get results. I feel very proud that we can present some ideas to them on how they can become more efficient in Ottawa under any government.

Mr. Chairman: I think we have strayed somewhat from Mr. Wildman's initial question. What was it, by the way?

Mr. Wildman: I was talking about the government and rates. I would like to ask one question in relation to the concerns raised by my colleagues, which dealt with the government's expenditures in various areas and what they mean in terms of personnel.

Are you suggesting that the type of staff who will be either reclassified or whose jobs will no longer exist because you will be providing the service more efficiently will be mainly in your public relations area or education and conservation and that kind of thing? Are those the kinds of jobs you are talking about?

Mr. Allan: No, I can honestly say quite the reverse. I have not answered that, but I do think we can deliver the public relations, as you call it, the communications and education function with quite a few fewer staff.

I can give you examples of some of the areas we have to build up. We have some very intricate transfer of ownership propositions in front of us. We have to know an awful lot more about asset structures. The Norcen case that will come before the Ontario Energy Board one of these days is a perfect example.

There are a lot of ownership changes going on and we have to have a good sense of what is in the public interest, what the information is. That requires some fairly sophisticated talents. We will use all the people we have and we will bring in whatever else we need to ensure that the ministry, in support of the Ontario Energy Board, is on top of those situations.

The world is changing very rapidly. We have to intercede and we have a superb legal branch. We have people up there now on the National Energy Board TransCanada PipeLines generic issue. That takes an enormous amount of time and talent. Those kinds of things have immense implications for the people of this province,

ultimately as ratepayers, and for Canada in terms of the most effective distribution of pipelines and financing of them.

We have to deal with those issues. We have to build up impeccable credentials and a good batting record, which we have had in the past. They are getting more complex, and we have to know all the intricacies in the policy area. That is not to say that in any sense we are abandoning conservation or that we are not going to be out there at all in research and the front end of development. It is taking the people we have and finding whatever talent we can find in addition to address ourselves to that array of issues which is important for the next two or three years.

Bargaining, ownership changes, selling the idea that conservation is good business and encouraging private sector people not only to make some money out of it but to put the money into it—which is necessary to save both oil and energy—and to try new things, are all objectives we are going to continue to have. We are just going to do them a little differently, maybe a little more effectively.

Hon. Mr. Andrewes: Mr. Wildman, if I might add to that, we have a wealth of talent in this ministry, some very talented people. From the standpoint of information distribution, it is my wish to see us now establish ourselves in the public's view very firmly as a reliable source of information.

10 p.m.

We are going to emphasize that in the kinds of programs we undertake. We are also going to emphasize it in the kind of information and in the manner we present that information. If you look at our advertising efforts, for instance, we are not going out there and saying, "Look, insulate your attic and put storm windows on because you will conserve oil and it is good for Canada and good for Ontario."

We are saying to people: "Here is an example of a bank, a major banking complex in downtown Toronto, that took some of our advice, took some advice from the private sector, put all this together and made substantial savings by making some adjustments in the operation of its buildings. Here is an example of what it did. We can help you do somewhat the same things with your business." I think it is a proper thrust, given the changing energy environment.

Mr. Kerrio: By the Minister of Energy and the Ministry of Energy?

Hon. Mr. Andrewes: That is right.

Mr. Kerrio: Let me just interject here with a question. The point I was trying to make was that this responsibility should not rest with Ontario Hydro. You should take it from Hydro. You should let those people go who are involved in conservation in Hydro, because they do not have the motivation you might have in your ministry.

I think the Ministry of Energy should have sections in it that deal with individual responsibilities, that put them in competition with each other. Why should you be doing anything relating to conservation if Hydro, which does not have any real incentive to go forward with conservation, is involved in it? Why do we not eliminate those people in Hydro who are involved in conservation and have your ministry take it over?

You have boasted about having good people. I appreciate that and I will not quarrel with you about it. But let those people compete with Hydro and say, "For every kilowatt of electricity we save, we do not have to build another kilowatt of very expensive nuclear reactor, hydraulic or thermal plant capacity." I cannot believe we are on the right track unless you do that.

Hon. Mr. Andrewes: But at the same time, you recall my argument about a business operation providing good, sound technical advice—

Mr. Kerrio: Sure, same thing. Do it through your ministry. Do not do it through Ontario Hydro.

Hon. Mr. Andrewes: Wait a minute. Good, sound technical advice to its customers.

Mr. Kerrio: Yes.

Hon. Mr. Andrewes: You remember the example I chose to illustrate that.

Mr. Kerrio: Yes.

Hon. Mr. Andrewes: I think Ontario Hydro is in the business of selling a product and that it should at the same time be in a position to supply good, sound technical advice to its customers.

Mr. Kerrio: On not selling their product?

Hon. Mr. Andrewes: On how best to utilize that product.

Mr. Kerrio: It will not do that. It has surplus to sell.

Mr. Wildman: Mr. Chairman, I have attempted to be brief. I would like to ask a question on the government's and the ministry's relationship with Ontario Hydro in the setting of rates. Can the minister explain to the committee his and the government's view of their responsibility in

the final determination of electricity rates in this province?

We had the experience last year that when Hydro asked for a 9.8 per cent increase in rates, the board cut the increase back to 6.3 per cent and then Hydro implemented a 7.8 per cent rate increase. What is the government's responsibility in this process? What does the minister see as his responsibility with regard to the final determination of Hydro's electricity rate?

Hon. Mr. Andrewes: You understand the process whereby Ontario Hydro sets its rate annually. That is its mandate under the Power Corporation Act. It presents to me as the minister some time in the spring its projection of what rate increase it needs in the coming year.

I refer that to the Ontario Energy Board. I ask the board to do certain things: review that set of rates, give them certain guidelines and ask them to report to me by the end of August of the year preceding the new rate structure.

You also appreciate that under the Power Corporation Act the board of Ontario Hydro is mandated to set the rate. At the same time, the board is responsible for the financial integrity of the corporation, and the financial integrity of the corporation is very dependent upon the ability of the corporation to generate sufficient income in the year to meet its financial obligations. So the responsibility rests with the Hydro board to set a rate that will allow it to meet the financial obligations.

At the same time, we place restrictions on Hydro in terms of the wage restraint bill and any other legislation that is related to employees in the public service, which includes Ontario Hydro employees. The Hydro board reviews the report of the energy board. I think you will find over the last decade it has set a rate equal to the energy board's recommendation or below that recommendation, except for the 1984 rate and the 1982 rate.

Mr. Wildman: Basically, you are saying it is up to the Ontario Hydro board, after the process has been gone through.

Hon. Mr. Andrewes: That is what the statute says.

Mr. Wildman: Okay, I will leave it at that.

Mr. Di Santo: I think what you are saying is rather simplistic. You know very well I made the point yesterday and you did not answer it. I suppose you are planning to have a conversation later, but I will take this opportunity to debate this point. The fact is that you made a statement in October last year. Do I have to quote the whole

quote or can I only say you were suggesting Hydro should have rate increases below the inflation rate?

Hon. Mr. Andrewes: I made the statement last year that Ontario Hydro projects over the next decade its rates will be at or near the rate of inflation.

Mr. Di Santo: Okay, that is the first point. The second point I think my colleague is trying to make is that in the past two or three years, since 1982, Hydro has demonstrated that its requests to the Ontario Energy Board were excessive by far. In fact, in 1982 they said for the next three years they needed an increase of 54 per cent in rates.

In 1982 the Ontario Energy Board granted 8.8 per cent and Ontario Hydro implemented 8.4 per cent. In 1983 Hydro sought 9.7 per cent, the board recommended 6.3 per cent and Hydro implemented 7.8 per cent. This means, in effect, that Ontario Hydro, for reasons that had nothing to do with the revenue requirements of the corporation, was asking for more money than it really needed.

The point we have been making is, since you are the person responsible, why do you not take a stand? If you say, "You have to live like anybody else with five per cent," why does Hydro not start living with five per cent? I think that is a valid point. If somebody asks your ministry or anybody else outside Hydro what the real revenue requirements of the corporation are, you cannot answer that. I cannot answer it. Nobody can answer it except Hydro, because Hydro is not accountable to this Legislature.

10:10 p.m.

Hon. Mr. Andrewes: You cannot have it both ways. You cannot place the responsibility for the financial integrity of Ontario Hydro on its board of directors and at the same time say to that board of directors, "I am sorry, but we are not going to give you the right to establish a rate that will allow you to meet your obligations." That is where the system is working.

Mr. Di Santo: I would like to bring to the minister's attention one parallel that is blatant. The same happens with Union Gas. Darcy McKeough is responsible for the financial integrity of Union Gas, but the Ontario Energy Board still sets the rates. It does not recommend; it sets the rates. Where is the contradiction?

Hon. Mr. Andrewes: The contradiction is that Union Gas is a private sector corporation; this is a public sector corporation.

Mr. Di Santo: Exactly, but the Ontario Energy Board has a mandatory, regulatory power

over Union Gas that you do not want to give it for Ontario Hydro. Try to make a rational argument I can understand.

Hon. Mr. Andrewes: You are suggesting to me that the Ontario Energy Board should have the right to set the rate.

Mr. Di Santo: Definitely.

Hon. Mr. Andrewes: At the same time you are telling me the rate should be at five per cent.

Mr. Di Santo: No, I am not saying—

Hon. Mr. Andrewes: The government should instruct Hydro—

Mr. Di Santo: Do not put words in my mouth. I am using—

Hon. Mr. Andrewes: That is what you said.

Mr. Wildman: He used that as an example.

Mr. Di Santo: I am using the figure you used in your speech of October, 1983, when you said Ontario Hydro is confident that those rates over the next number of years can be kept below that level of inflation. Since in 1984 the rate of inflation was five per cent, start by setting the example in 1984 and set your rates at five per cent. That follows from your speech. It was not my position.

Hon. Mr. Andrewes: There are some very valid reasons why the rate cannot be at five per cent in 1985.

Mr. Di Santo: I know that.

Hon. Mr. Andrewes: You know that.

Mr. Di Santo: Are you going to tell me?

Hon. Mr. Andrewes: It is because a number of new generating units are coming into the rate base.

Mr. Di Santo: Exactly.

Hon. Mr. Andrewes: That is a very valid reason.

Mr. Di Santo: That brings us to the next point I raised and that you also chose not to answer, the Darlington example.

Hon. Mr. Andrewes: Darlington is not in the 1985 rate base.

Mr. Di Santo: I know that. I know Hydro is telling everybody, "We are building Darlington, but you do not have to pay for it this year." However, the year Darlington comes into operation you will come before this committee—I hope you are in another ministry—

Hon. Mr. Andrewes: You are assuming we will still be in government.

Mr. Di Santo:—and you will say, "The cost of Darlington is passed on to the consumers, but the

next nuclear station will not have any effect on the rates now." You know very well that it is the consumers who are going to pay for the new generating station. Our contention is that since Hydro will have a reserve of 51 per cent this winter, of 54 per cent next year and of 57 per cent in 1986, you should justify to us why it is necessary to go ahead with Darlington and at this point forecast an increase in the rates when Darlington becomes operational.

Hon. Mr. Andrewes: The forecast for rates is at or near the rate of inflation.

Mr. Di Santo: You cannot do that because Darlington started—what was the projected cost initially? Was it \$3 billion? Now it is \$12 billion. When it is finished it will be \$15 billion. What you have said makes no sense at all. That \$15 billion that will have been borrowed with the guarantee of the province will be paid by the consumers.

Hon. Mr. Andrewes: There is no doubt about that.

I want to correct one or two things. You may well be accurate in your postulation of the escalation of Darlington. At present, to the best of its ability to make those estimates, Hydro would not estimate that kind of cost escalation.

I also think there are some very valid reasons why that plant needs to be completed. It needs to be completed to meet electrical demands in Ontario. It needs to be completed to replace existing generating capacity that is coal-fired and oil-fired, that has been phased out because of its cost; so when those units come on in Darlington, when it is completed by the mid-1990s, there will be a genuine need for that electrical output.

Mr. Di Santo: Are these questions that you are putting to us or are they the questions I put to you? I know that Ontario Hydro has its good reasons, but do you have good reasons to subscribe to whatever Hydro decides to do? That is the fundamental question. Your government is not in charge of Hydro.

Hon. Mr. Andrewes: We have very good reasons. We have demand projections that would substantiate this kind of building program.

Mr. Di Santo: I remember when I was sitting on the select committee on Ontario Hydro. Ontario Hydro had projected a seven per cent increase and the then Deputy Minister of Energy came before us and said, after a long discussion, they could not have an accurate forecast because they did not have the means in the ministry to make a forecast. In fact, it was highly divergent from—

Hon. Mr. Andrewes: We are not highly divergent and we have the means. I think some of the things the deputy was saying about strengthening our ability to make those projections, strengthening our ability to go into the kind of detail you are looking for, are very valid.

We have the means by which to make those projections. Our current projections in the ministry are based on a growth of 2.3 per cent per year. The Senate committee is projecting a growth of 2.5 per cent per year. There have been other projections that go as high as 4.5 per cent per year.

Mr. Di Santo: I know that.

Hon. Mr. Andrewes: We can get into all the semantics about whose projection is most accurate and you will remind me that in the 1970s, when these undertakings were begun, growth was seven per cent.

I think it comes back to a point I made earlier. Once we look beyond Darlington we have to look at flexibility because of our changing economic circumstances and because of our need to be flexible to meet those demands.

Mr. Wildman: I have one short question.

Mr. Chairman: All right. I am sure you appreciate all these supplementaries to help you out with your answers.

Mr. Wildman: Can the minister explain to the committee what exactly the position of the provincial government is with regard to the matter that was raised by my colleague the member for Niagara Falls (Mr. Kerrio) today in the House, and on which I raised a supplementary, the export of tritium?

Can the minister explain why he apparently could not give a straight answer to me when I asked what government policy was for ensuring that tritium exported by Ontario Hydro is not used directly for military purposes anywhere in the world, or is not used to facilitate the transfer to military purposes of tritium now used for peaceful purposes?

Hon. Mr. Andrewes: I think it is important that we clearly understand all the intricacies of the tritium removal program at Darlington. Perhaps it might be helpful to have Dr. Finlay come up and describe those processes.

It might be helpful for us then to examine the whole question of the sale of tritium with respect to opportunities that might exist for Ontario Hydro to do so, and then to consider my answer to you, which was that our policy is to abide by the policies set and agreed to by the government of Canada under the nonproliferation treaties as

administered by the Department of External Affairs.

10:20 p.m.

Mr. Wildman: That would be helpful. I think, though, that we all have to keep in mind the experience the Canadian government had with the government of India.

Hon. Mr. Andrewes: I just want Dr. Finlay to describe the tritium removal process.

Mr. Di Santo: I raised this point as well yesterday.

Dr. Finlay: My name is Brian Finlay. I am an adviser to the Ministry of Energy.

Members probably understand where the tritium removal facility comes from and that Ontario Hydro has undertaken to build a removal system basically for personnel safety protection reasons and for protection of the environment. That is the basic reason Ontario Hydro went ahead and put in a tritium removal system.

There are alternative things you could do with the tritium when you isolate it. Perhaps I should point out that the tritium in this case will be in the form of tritium gas rather than tritiated water or tritium oxide. There is a significance there which I might come back to.

There is no doubt you could store the tritium. If you did that, basically you would be storing it under safeguards that would be administered by the Atomic Energy Control Board and essentially would have to meet the commitments the Canadian government made to the International Atomic Agency Nonproliferation Treaty.

Mr. Kerrio: In the sale of Candu reactors.

Dr. Finlay: We are talking about tritium. No, the nonproliferation treaty—

Mr. Kerrio: I do not want to interrupt but I want to make sure—

Dr. Finlay: The nonproliferation treaty is basically an agreement or treaty entered into between those nations that had the knowhow in the early days of atomic energy. The knowhow was originally the physics for making weapons, but they had also developed the technology to make reactors. The nonproliferation treaty was a compact or agreement between those nations that had knowhow and had weapons and other nations of the world which felt there would be benefit in developing nuclear technology for peaceful means.

The compact entered into by a country like Canada says we will not use nuclear materials or technology for making bombs or for military purposes. Tritium is one of those materials that falls within the nonproliferation or the safeguards

required under the treaty. That basically is a federal agreement.

Mr. Wildman: Does plutonium also come under that?

Dr. Finlay: Yes, it does.

Mr. Wildman: Okay, and we know the experience the British government had in the export of plutonium for peaceful purposes to the United States. I am asking for an answer which relates to the question of how you can be sure the agreements entered into by our customers will be lived up to. The point I am attempting to make is that frankly we cannot be sure.

Dr. Finlay: Perhaps one of the things you should think about is that essentially the story that came out on the CBC is back to front. If you look at it, the people who have the stocks of tritium and the technology to use tritium, including the technology of handling tritium, are the military people. It is not Ontario Hydro.

One of the things that is backwards about this is that the military people essentially have held on to their stocks. They have sold some, but they have basically held on to their stocks and technology.

People like the fusion research people are faced with either reinventing the wheel and developing the technology to handle tritium, which is required in research work with fusion reactors, or perhaps going to an organization like Ontario Hydro and Atomic Energy of Canada Ltd. that have some limited experience with using tritium and asking: "Can you help us? In three or four years' time we are going to be putting tritium into our fusion reactors."

As the power goes up on the research reactors you have to use tritium, and it is radioactive. You can develop your own technology then or you can get a company such as Ontario Hydro to give you a hand. The argument that was used that Ontario Hydro people would be helping military people is just not credible.

Mr. Wildman: That is not the argument I made today. You are talking about the Canadian Broadcasting Corp. program.

The question I specifically asked is, "What is the position of this government with regard to ensuring that tritium exported by Ontario Hydro will not be used for military purposes directly or that it will not be used to facilitate the freeing up of tritium from other sources, where it is now being used for peaceful purposes, to be used for military purposes?"

Dr. Finlay: I was going to come to that one, Mr. Wildman. In fact, there is a market for

tritium. There is a market in the signs and things such as that, emergency signs in general.

Mr. Wildman: Yes, I know that.

Dr. Finlay: Some tritium is being made available to research people.

Mr. Kerrio: At Oak Ridge.

Dr. Finlay: Most of the tritium, as I understand it, is made down at Savannah River.

Mr. Kerrio: Right, at Oak Ridge.

Dr. Finlay: I do not think they actually make it there.

Mr. Kerrio: Until Darlington replaces it in 1987.

Dr. Finlay: It does not seem very credible that the United States government would rely on other people for tritium. They have a manufacturing—

Mr. Wildman: They did for plutonium.

Dr. Finlay: I do not think even that one has really been nailed down yet. I am aware of the plutonium argument with the United Kingdom. There obviously are legitimate uses for tritium, whether it is in research—

Mr. Wildman: I do not debate that.

Dr. Finlay: It really does not seem very credible to me that the United States would make tritium available for research work if, in fact, it was required for nuclear weapons. Perhaps when the conclusions have been reached—

Mr. Kerrio: They needed us for the first atomic bomb.

Dr. Finlay: I am saying they have their own stores.

Mr. Kerrio: Is that not the truth?

Dr. Finlay: They have their own stores of tritium.

Mr. Kerrio: You raised a good question, but I am posing another one to you.

Dr. Finlay: I am not quite sure I have finished this.

Mr. Kerrio: In fact, did we not play a major role in the production of the first atomic bomb?

Mr. Wildman: Of course we did, but that is irrelevant. The question I am asking—

Mr. Kerrio: Just a minute. Do not jump in.

Mr. Wildman: It is my question, Mr. Kerrio.

Mr. Kerrio: I was asking a supplementary question.

Mr. Wildman: I did not give you the floor. I did not yield the floor.

Mr. Chairman: Order, please.

Mr. Wildman: I did not yield the floor, Mr. Chairman.

Mr. Kerrio: Yes, you did.

Mr. Wildman: No, I did not.

Mr. Chairman: Order. Mr. Kerrio, it is Mr. Wildman's question and we are running out of time.

Mr. Kerrio: Mr. Wildman has been going on ad infinitum.

Mr. Wildman: Oh, come off it.

Mr. Kerrio: I am not prepared to accept it. No way am I going to let this guy yap away for the whole evening.

Mr. Chairman: You had the floor first.

Mr. Kerrio: I was asking a supplementary.

Mr. Wildman: Mr. Chairman, is "yap" parliamentary?

Mr. Chairman: I am not going to rule on that.

Mr. Kerrio: I was right in the middle of my questioning when this person interrupted.

Mr. Wildman: I suppose you are going to call me, as you did the Japanese, "those little rascals."

Mr. Kerrio: Mr. Chairman, on a point of order, Mr. Wildman was questioning the gentleman. I asked a supplementary. It is not his prerogative to take over whenever he decides I should end my supplementary. I will not accept that.

Mr. Wildman: It is the chair's prerogative.

Mr. Chairman: I must admit I did not recognize you, Mr. Kerrio.

Mr. Kerrio: But that is not the case in these hearings.

Mr. Wildman: Exactly.

Mr. Chairman: Mr. Wildman has been trying to make a point.

Mr. Kerrio: If he had not made a personal remark, I would not even be talking about it.

Mr. Chairman: I know. I realize that.

Mr. Kerrio: I do not buy these kinds of remarks from these kinds of people. I just do not buy that.

Mr. Wildman: It is unfortunate that the member for Niagara Falls wants to trivialize a very important question.

Mr. Kerrio: I shall not take anything like that interrupting me, ever. I think it is 10:30 p.m.

Mr. Chairman: I recognize that.

Mr. Wildman: I am sorry I am not short enough so you could refer to me as one of "those little rascals."

Mr. Chairman: Mr. Wildman, do you wish to pursue your question? You have about 30 seconds if you wish to.

Mr. Wildman: I would like to know if I can have an answer without interruption from the gentleman who has attempted to answer.

Mr. Kerrio: Come back again some time when you are not so busy.

Mr. Chairman: It is 10:30 p.m. The meeting is adjourned until next Tuesday evening at 8 p.m.

The committee adjourned at 10:30 p.m.

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 Havrot, E. M. (Timiskaming PC)
 Kerrio, V. G. (Niagara Falls L)
 Lupusella, A. (Dovercourt NDP)
 Villeneuve, N.; Vice-Chairman (Stormont, Dundas and Glengarry PC)
 Wildman, B. (Algoma NDP)
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Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of Energy



Fourth Session, 32nd Parliament
Tuesday, November 6, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, November 6, 1984

The committee met at 8:05 p.m. in room 228.

ESTIMATES, MINISTRY OF ENERGY (continued)

Mr. Chairman: I call this meeting to order. I do recognize a quorum sneaking into the table right now.

Mr. Kerrio: I am sorry, Mr. Chairman.

Mr. Chairman: Today we are going to discuss with the Ontario Energy Board and the Ontario Energy Corp. their estimates. Minister, how should we best handle this?

Hon. Mr. Andrewes: Mr. Chairman, I am at the committee's disposal but I would be pleased to ask Mr. Robert Macaulay. Members of the committee, feel free to pose your questions to Mr. Macaulay.

I do not think Mr. Macaulay needs much of an introduction. As a former member of the Legislature, former Minister of Energy and Resources Management, esteemed member of the bar and now the chairman of the Ontario Energy Board, I am very pleased to welcome Mr. Macaulay as part of this ministry's estimates.

Mr. Chairman: Mr. Macaulay, welcome to the committee.

Mr. Kerrio: Have you seen much change in the whole involvement since you were on the scene, Mr. Macaulay? Since you sat in this very prestigious chair?

Mr. Macaulay: On what scene, sir? I guess there have been a great many changes. I have been in this room many times, of course, partly to answer questions, sometimes to raise hell and sometimes to learn something. Perhaps I am here tonight to *déjà vu*, but I am also here to try to be of some help and to answer any questions you might have.

Mr. Kerrio: If I may, Mr. Chairman, I would only ask if you would make any comments or remarks, Mr. Macaulay, before we raise some questions. I wonder if you might share with us some of your feelings about the board's function.

Mr. Macaulay: If that is convenient with you, Mr. Chairman.

Mr. Chairman: Yes, it is. If you would like to make some introductory remarks, that would be fine.

Mr. Macaulay: Frankly, I do not think there is a great deal I would like to say. It is 25 years since I had the privilege, as the Minister of Energy at that time, of creating the department and writing the legislation and establishing this board, of which I am now chairman. During this period, the board has had a good record, a very clean record. I think it has served its purpose well.

I have read your transcripts in the last few years and I know there are certain concerns that the Legislature, or this committee has.

When we started out exactly 25 years ago with the legislation, we had some concern about whether there was a need for the department and whether there was a need for regulation. Regulation comes about normally where there is a monopoly and tremendous capital investment is required, such as when a monopoly franchise is granted, except in the case of Ontario Hydro where it is an immense plant and capital undertaking, which has been publicly owned since about 1905.

When I became a member of the board on July 1, I felt it was appropriate for the board to look at the legislation, which I had really written. At one time I was the only member of the department; I was initially asked by Mr. Frost to create the department and write the legislation.

I am rather pleased to say we have had a great many representations from the industry being regulated. They think the legislation has worked sufficiently well that they are anxious that it not be materially changed, which speaks fairly well of the operations of both the legislation and the board.

We are trying now to approach our obligations in a somewhat different way. I would remind you that the authority we have is the authority given to us by the Legislature. I have noted in your transcripts and in the comments that have been made by you, sir, and Mr. Di Santo and others, that there is some thought that it might be appropriate for the energy board to assume some responsibility for fixing rates for Ontario Hydro. I will leave that because I think it is a subject both of you are interested in and you may want to address some specific questions to it.

On the whole, I think our board's role has been thought to be important to the economy. I believe

that is because of the monopolistic position of utilities. It is well managed—and I am not speaking of myself. I will say, to the chairman and the minister, there are some changes we are undertaking at present that I think can help make us the best board of our kind in the country.

Just recently I completed a trip out west. I visited all the other public utilities, as well as some of the hydro and other corporations that are in the gas and electrical distribution business. When you are at home with your own peers you may say to yourself, "I think there are changes we would like to bring about to better our system," but I came back with a great deal of pride. Every province does things quite differently one from another, but I also came back convinced we have the best system in the country, although I am sure it can be improved.

Mr. Kerrio: Mr. Chairman, I want to pose a couple of questions in opening to the Ontario Energy Board. I will put the two questions and then you can direct yourself to answering in any way you see fit.

Mr. Macaulay: Thank you, sir.

Mr. Kerrio: Because of the circumstance in Ontario that there has been a great deal of criticism directed towards the board, to some degree unjustly, because in the final analysis the Legislature decides what the mandate of the board is going to be, we should not pursue questions as to what you think your role should be. I think you made that point to me and I accept it.

Two questions are uppermost in my mind in opening here. How do other jurisdictions address themselves as an energy board to their hydro involvements within their provinces? The larger question may be a little premature, but with the new federal government, which may have a new approach to this whole energy problem, where do we fit into the scheme of things as related to the new direction the federal government might decide in energy, gas in particular? Oil and those things are really under another jurisdiction.

The two questions again are: How do other jurisdictions involve themselves in the pricing of hydro, whether it be owned privately or by government? Has there been enough indication from the Ottawa scene where we are going with energy, particularly gas, in Ontario?

Mr. Macaulay: Speaking for myself and answering your questions in reverse, no, I do not think there is a sufficient amount of information emanating from Ottawa to be able to tell you how regulation of the gas and oil industry will change

in the future. I do not think I can offer any comment on that.

I came back last week from meeting with many of my counterparts out west, and that is the question they all had on their minds. There is a feeling that things are rather unsettled at the moment and it may be a while before they sort themselves out. It is not creating any serious problems for the Ontario Energy Board.

When gas increases have been brought about according to the agreement, we tend to pass them through fairly quickly. We do not automatically pass them through. We want to make sure the companies cannot absorb the increase in cost, trying to bear in mind the effect that will have on consumers. However, in the event it is creating an additional and unsaddleable burden on the gas distribution companies, we hold a hearing to go into the matter.

I do not think I can add anything more, Mr. Kerrio, than what I have said. Things are quite unsettled at the moment. As you know, the agreement between Alberta and the federal government comes to an end—I think it is at the end of January or February 1, 1985. How that agreement is dealt with will have some material effect on a number of aspects of the gas industry, but I do not think it will have any material effect on the electrical industry—that is, Ontario Hydro—except as to the absence or increase of competition by way of prices.

Mr. Kerrio: Perhaps a little involvement with relation to exports.

Mr. Macaulay: I know that is a subject that attracts a great deal of your concern, but I know you realize it is not within the mandate of the Ontario Energy Board.

Mr. Kerrio: I agree with that.

Mr. Macaulay: As to how the other provinces regulate or deal with hydro—can I go through them for you?

British Columbia has a hydro corporation that has gas and oil distribution. It is controlled by the British Columbia Utilities Commission. The fact of the matter is, and I do not mean this with any disrespect, the control by the public utilities board in British Columbia is more illusory than real, partly because there is a minister or a representative of the government on the hydro board itself. I do not mean the public utilities board; I mean the hydro board. As a result, it seems to me that it pretty well expresses government policy as opposed to the position that might be said to obtain here in Ontario.

Second, when you come before the public utilities board in British Columbia, section 3 of

the act permits the minister, through the government, to give any instruction he wants to the board. In fact, he has given instruction to the board in two respects. One is the interest coverage ratio of one to 13 and the debt-equity ratio of 80 to 20, which are to be achieved by 1990. That is a very direct influence on the decision of the board.

When one goes to Alberta, there is a public utilities board and there has been since about 1915. It deals not with a large public utility, but with private enterprise gas and electric corporations. They regulate them as we regulate the gas industry here in Ontario.

Moving to Saskatchewan, it has Saskatchewan Power Corp. It really is a social engineering organization that is an extension, in effect, of the government itself. I do not think there is any argument about that. Service is brought to various customers at less than cost and at standards that are not adopted in other provinces.

They have a small commission. They are all part-time members; I think there are four of them. They have a small staff. With great respect, I think they are rather overwhelmed by the immense job they have. Saskatchewan Power distributes gas and electricity. It is a huge corporation, relatively speaking, to their—

8:20 p.m.

Mr. Kerrio: Government-owned?

Mr. Macaulay: Yes, sir.

Mr. Kerrio: The regulating body also functions on behalf of the government?

Mr. Macaulay: Yes, to the extent that we do here in this province or they do in British Columbia. It is a government-appointed board.

But I would honestly say it is quite clear from speaking with the chairman—and I spent the day with him, with some of my colleagues—that they do not really regulate. They are the tail and they are being wagged along. The cost of service and the rates charged are two different things.

Mr. Kerrio: The reason I posed those questions becomes very important because the minister, in quoting the comparisons in various jurisdictions, hardly ever talks about other jurisdictions across Canada when we compare electrical rates. He usually talks about New York, Massachusetts or some American outfit that is really not that efficient.

In a sense, though, you are bringing another argument into place here, that in some instances some of our provinces do not reflect the true cost of electricity in their rates.

Mr. Macaulay: They do not in Saskatchewan. On the other hand, it depends on whose ox is being gored.

Mr. Kerrio: I appreciate that.

Mr. Macaulay: There are those in Saskatchewan who feel they are cross-subsidizing a tremendous number of the customers and paying far more than the cost of service to them.

In any event, what I was starting to say was that the chairman made it perfectly clear to me that he is at the present time sounding a clarion call to the government that if Saskatchewan Power is going to retain any kind of financial credibility and not drag down the financial credibility of the province, there is going to have to be an adjustment of rates.

Mr. Kerrio: In relation to the cost of producing.

Mr. Macaulay: In relation to the cost of service. He is drawing to their attention that there are set standards in North America and they are going to have to reach them at some stage. They are interest coverage, cash-flow coverage, debt-equity ratios and so forth.

He feels he is well behind and that it will take quite a number of years before there is an actual relationship between overall rates, or the revenue requirements of Saskatchewan Power, and the expenditures.

Mr. Kerrio: Were you able to do anything in relation to the same sort of comparison with some of our eastern provinces, most particularly Quebec?

Mr. Macaulay: May I just finish with Manitoba? Then I will be happy to do as you ask me to do.

Mr. Kerrio: Sure.

Mr. Macaulay: In Manitoba there is again a regulatory board both for hydro and for gas distribution. There the board regulates. It does not really feel it regulates Manitoba Hydro. Hydro has been before them only once for a rate hearing, as I recall, and that was two or three years ago. There is again a minister on the Manitoba Hydro commission.

Although they feel they are independent of the government, I think they feel they have a long way to go. They are really just starting down what I would call the regulatory path of electric generation and distribution, and they are really nowhere near as far advanced—and I do not say this derogatorily—as we are in this province.

If I may just add one thing, many of the public utility boards in this country deal with far more than electricity. Some of them deal with water,

sewers, milk and other products as well as highway licences.

Mr. Kerrio: Do any of them deal with oil?

Mr. Macaulay: No. The only province that really has much oil—I do not want to be too definitive—is Alberta. It has its own separate marketing boards for these matters. I think you are surrounded here by gentlemen from the ministry who could be much more definitive about that.

I was really looking on behalf of this committee, because I knew I was coming here, I knew I would be asked these questions and I wanted to garner some understanding other than through my own experience over about 25 years in the energy field. I wanted to see how other people do it.

I have been here 60 or 90 days and, in the process, I have had the flu twice and I have broken my arm once. I have just done the best I can. I have been out west, I have reorganized a lot of the board. In the future we are going to be doing a lot of things differently to what we have done in the past. That is not to say that what has been done in the past is not adequate; I just have a different style of doing things. I hope it will be satisfactory to the committee and to the government.

I can say frankly I have not been to the east. I am going to go there, but we have held a number of hearings and we have to hold more this fall. Since I want to change the style of the way we hold hearings, the way we report hearings and so forth, I felt it was incumbent upon me to sit on these hearings with my colleagues. So I have been doing this.

There is no regulation in Quebec. It is really government regulated through the government-appointed board. The other provinces are much smaller and their commissions have many functions other than gas or electricity. One of the strongest is that in Newfoundland, surprisingly. They even have the power to raise their own money, issue bonds, and they have a very strong control over the regulatory areas.

I hope when I come back next year—and I hope to be able to do that—I will have been to the east and I will have some experiences to discuss with you. I have also been chairman of an organization which is the board of all the regulatory boards in Canada. We are doing a great deal of work on this and I hope, a year from now, to be able to be more specific about how other provinces do what we do in this province.

I can summarize by saying I went out wanting to learn and I came back very proud about what

you have established in this province as a regulatory system.

Mr. Kerrio: My final question, before I let my counterpart take over, would be whether we would have some sort of ability to raise the question in jurisdictions that become more directly involved with a specific type of generation. We in Ontario have one third hydraulic, one third thermal and one third nuclear—Mr. Nixon?

Mr. Nixon: Right.

Mr. Kerrio: I thought there would be jurisdictions that might more properly be involved to a greater degree—probably Quebec in hydraulic and maybe some of our eastern provinces, in the future, in the nuclear field. Maybe a great deal of information could be garnered from those kinds of studies, as you move from jurisdiction to jurisdiction.

Mr. Macaulay: Tomorrow or very soon, Hydro will be here and it can relate the development of nuclear, hydraulic and coal, gas or oil-fired generation in a far more effective and meaningful way to you. I do not think there is anything more, unless you have a specific question.

Mr. Kerrio: No, I was only thinking how you might more properly be able to deal with those if you look into those other jurisdictions that might be more specifically involved in any one of the three.

Mr. Macaulay: With great respect, what I went west for and what I would go east for—there are about 700 pieces of legislation dealing with boards in Canada. I have them now being put through a computer so I can try to discern the major thrust of each of the pieces of legislation. I am in touch with all those persons who have my job in other provinces and am trying to get a handle on how everyone else does the job.

8:30 p.m.

I will just say—and I hope you will forgive me, I feel very strongly about it—we have a very good board. We are very well staffed. We have the very best of people.

If you could have been with me and looked over my shoulder, you would have been very content with the way things are done in this province from a regulatory point of view.

To add to that, I received a letter from the Ontario Natural Gas Association urging me to be careful about any amendments I might introduce or consider recommending to the minister to introduce in the legislation. They are very content with the way the legislation now reads

and the way it is being interpreted and managed by the board.

That is a compliment I was not looking for. It was not personal; it is, if anything, a credit to the Legislature, but it is there.

Mr. Chairman: Mr. Di Santo.

Mr. Lupusella: Mr. Di Santo is going to give me the floor because I have a supplementary on the same subject.

Mr. Chairman: Is that right, Mr. Di Santo? You are giving the floor to him?

Mr. Di Santo: For a supplementary, yes.

Mr. Lupusella: Mr. Chairman, I will not make a prolonged preamble. Actually, I will leave aside the preamble and get into my particular concern about the Ontario Energy Board.

I compliment the chairman on the pride he feels when he comes from other jurisdictions. I am not sure to what jurisdictions he is referring. Are you talking about jurisdictions within Canadian territory or are you talking about the States?

Mr. Macaulay: I was speaking of Canada, sir.

Mr. Lupusella: You are talking about Canada and you are very proud of the way the Ontario Energy Board has been run. Actually you have been making critical comments about other boards that are operating within different jurisdictions in Canada.

I would like to remind you that, with a few exceptions, all the provinces are run by Conservative governments. I am sure you realize the principle that if you are critical of other jurisdictions, you should blame the Tories.

Mr. Chairman: I am sure Mr. Macaulay never even noticed they were run by Conservatives.

Mr. Lupusella: At any rate, Mr. Chairman—

Mr. Kerrio: That is a very good comment.

Mr. Yakabuski: Why did you not think of that?

Mr. Kerrio: I do not know.

Mr. Lupusella: You have been talking about certain changes that are required in the system. Of course, I am making particular reference to the Ontario system.

Would you like to be more specific about what kind of changes you are thinking of and what kind of recommendations you are going make to the Minister of Energy when the proposed legislation is introduced in parliament? Can you be more specific as to the areas you are going to

move in, what kind of improvements you foresee being required to make the operation of the board more effective than you claim it to be?

Mr. Macaulay: I would be happy to, sir. I will give you two examples. Some of the changes we want to bring about or are in the process of will be brought to the Legislature and some will not. They do not need to be because we have the authority to do them. It is only a question of budgetary control. Let me give you an example.

During periods of high inflation and increasing rates and costs of borrowing money, the gas companies frequently came to the board for rate increases because the cost of borrowing, the cost of operating was causing them to operate, according to them, in a deficit position. They were doing what they were doing in the United States; pancaking, as it is called, their applications. Before one application was really dealt with, they would have another rate increase in there for the consideration of the board.

Once rate increases are granted, if you enter into a period of deflation, dropping inflation rates and dropping interest rates, you find that since the rate was fixed at higher levels of inflation and of interest rates, once those levels start to drop you never hear from anybody. They have all left town because they are earning more, perhaps, than we anticipated in the hearing. Therefore we decided it is essential to monitor, on a daily, weekly, monthly or quarterly basis, the operations of the gas company—and I think we can do the same thing for Hydro.

The problem in Ontario—actually it is not a problem; it is the best way of doing it—is that we fix our rates on what are called prospective years. We try to estimate beforehand what the rate of return should be based on what the cost of money will be, what interest rates will be, what the inflation rate will be, what labour contracts will end up being, what capital expenditures will be, and so on.

If rates for the future are based upon these estimates and the estimates are much higher than what actually is experienced—and that is what has been happening in recent months—companies can overearn very considerably, and when they overearn they say nothing about it.

We want to be able to work very closely with a monitoring system which is partly voluntary and partly mandatory. It would have a computer printout system whereby we can do our own economic modelling so we will know whether a company is overearning or underearning, in our opinion. Then, if necessary, we would have the company in and adjust its rates. That is

something we are now entering into and I am very happy to report that the gas industry is being very co-operative with us.

This is what one would call a computer-oriented monitoring system. There is practically nothing like it in North America; we are hoping to be a pioneer in the area. The industry thinks it is a good thing and I believe government will think it is a good thing. I think the committee too will think it is a good thing and we believe it is a good thing.

We believe the same thing can be done with Hydro. Hydro fixes what it thinks that its rate should be based on forecasts it makes for the future. What if some of those variables go up and some of them go down? One has to be able to put it through a computer and economically model what is going to happen by the end of the year.

In Hydro's case, where we do not have authority to call them in and make a change in the rate, we at least are ready for them when the next case comes. We are able to model ourselves and be ready for a Hydro case in a way that we have never been able to do in the past, and also to monitor it.

All of that does not come before the Legislature; those are internal changes. They are just a few of a great number we are making, some of which are more important to me than others.

One matter that will be coming before the Legislature, if it meets with the support of the minister, will be changes in the legislation. There are a great number of changes, some of which are refinements, some of which are a bit of rethinking about the shortcomings of the act.

We are in the process of working with the industries, the profession, with consultants and ourselves. In a few weeks we hope to be able to present to the minister a total package of adjustments and changes we think should be made to the legislation. That will come before the Legislature.

That is an example of the kinds of things this committee will hear about and the kinds of things it will not hear about. In our opinion, they will work better than they have in the past due to the changes in our society.

Mr. Lupusella: Mr. Chairman, am I correct in interpreting this presentation as saying that with the introduction of the new system the board will be able to reverse a utility's rate decision? Is Mr. Macaulay saying the board will be empowered to do this as a result of its new internal policy, that this system must be implemented and legislative changes are not necessarily needed to

do so? Is he saying this power is based on its new computerized system?

8:40 p.m.

Is Mr. Macaulay saying that if, in the course of a full year, a gas company or Ontario Hydro makes an exorbitant profit, the board will have the power to call the party before it and can reverse the decision on its rate assessment for a one-year term?

Mr. Macaulay: Sir, if we were in a court and you were a lawyer, with great respect I would say you have asked me five questions all in one go. There is nothing wrong with that, but let me break it down into parts.

Mr. Lupusella: I do not want to waste the members' time.

Mr. Chairman: I have been trying for a long time in committee to get Mr. Lupusella to break down his reasoning. Maybe you could help me.

Mr. Macaulay: Let me try. In the future when my term with the board is up and you need a solicitor, give me a call.

First, let us break it in half. Part of what I have said deals with the gas companies; part of what I have said does not deal with Hydro. We have no authority to call Hydro in. We have authority to call in the gas companies. That is quite clearly said in our act. That is the first point.

On the second point: as to Hydro, we therefore cannot call it in, but as to the gas companies, yes, we will call them in if we think it is appropriate.

Third, we will not reverse a decision we have made; there is no stability. One of the most important things in raising funds for a controlled organization such as a gas company is a stability of rates. It is bad for the customer and bad for capital formation. We would not be reversing our decisions; we would be changing them from then on. We would not go back and take back what we have given. We would say, "From now on, there will be a different set of rules."

Mr. Lupusella: You would do that in the same year?

Mr. Macaulay: Yes.

Mr. Lupusella: Of course, I did not make particular reference to reversing a prior decision.

Mr. Macaulay: You used that word. That is why I—

Mr. Lupusella: I am sorry if I misled you.

The last point I would like to raise is more or less on a contradiction in my own mind. I am not sure whether you have clear policies on it.

The Conservative government in Ontario raised with the former federal Liberal govern-

ment and the National Energy Board the sale of gas to the United States at lower rates than Canadian customers in Ontario were paying.

How can you say the Ontario Energy Board is doing a very effective job when the gas companies in Canada are selling gas in the United States at a lower price than here in Ontario and across Canada? You might blame the National Energy Board, but I think Ontario is also responsible for that. How can you reconcile the principle?

I cannot reconcile this contradiction in my own mind. I would like to have an explanation.

Mr. Macaulay: I think you will have to get that explanation from someone else—either that or double my salary. Frankly, I am not here to try to discuss exports. As you know, exports of natural gas and oil are under the control of the National Energy Board. We have absolutely no say in it and we do not even study it.

Mr. Lupusella: Maybe I should raise the question with the minister?

Mr. Macaulay: I think at some stage that is an appropriate question, but it is not one I can answer because it is a job I do not have.

Mr. Kerrio: He thinks the minister might have some influence in Ottawa now.

Mr. Chairman: Do you wish to redirect your question to the minister?

Mr. Lupusella: Maybe Mr. Di Santo would like to tackle the issue, Mr. Macaulay?

Mr. Chairman: All right, fine. Thank you for those supplementaries.

Mr. Di Santo: I understand what you said and it is spelled out in the decision of the board. The New Democratic Party made a presentation and our contention was that rates should be set by the board as opposed to being suggested by Hydro, as happens now.

Our contention was also that the system expansion should be within the terms of reference of the board, in view of the fact that especially now, the system expansion is the expression of Hydro's total commitment to nuclear power.

I would like to ask you two or three short questions.

First, I understand that you are operating within the purview of the present law. You are not setting policy, you are operating within the act, but you said you think there are shortcomings in the act, and in the future, before the plans to correct them, whenever you feel the time is right, you will bring those shortcomings to the attention of the government.

Do you think that, given the present structure of the board, within the annual review of Hydro rates you can, in fact, examine also its system of expansion?

Second, do you think that in the light of Hydro's expansion it is important that the board has a very clear understanding on how to set rates? You mentioned before that you are going to ask Hydro to give you input but, of course, you cannot call the boys in, as you said.

Mr. Macaulay: Frankly, the question is a very difficult one to put. I do not wonder that you had some difficulty struggling to describe it, because it is a very large and important subject. If you will give me a couple of minutes I will give you my own views on this matter, if I may have the privilege.

First, I would like to say that we, as a board, do not think it is within our mandate to be proposing legislation to the government, other than to amend the legislation we presently have, to improve it as it now stands. But it is a matter of government policy whether or not the board should fix Ontario Hydro rates.

Mr. Di Santo: We understand.

Mr. Macaulay: You are sympathetic about that, I know, because you have told me so, as have you, sir, that the decision as to the powers given to the board should be made in the Legislature. That is the first point—that this is government policy, and we do not make government policy.

The second point is, has the board the capacity to fix Hydro rates? The answer to that is both yes and no. First, if you are going to fix rates, I think you should decide what should be included in the rates and how they should be set.

I think it can be done. I think we have the equipment and the staff to do it. Whether it should be done is another question, which I would like to address for a moment, if I may.

The first point you make is that it is really government policy whether we do or we do not, and the second is, yes, I think we have the equipment and the staff and, once we have our computer in position, I think we could.

Third, is it wise to do it? It is and it is not. There is a part of the rates that, frankly, I do not think should be set by the Ontario Energy Board, even if the government decided, or you people decided, they should fix some part of the rates as opposed to reporting to the board of directors.

I only say this to you—and I hope you will forgive me, because I have been a private member in the House and I have been a minister. I have a feeling that you should not, as a

Legislature, delegate to the energy board the power of Ontario Hydro to enter into long-term, major construction commitments, all of which are so immense they could swing the entire financial credibility of this province, not to mention having a material effect on the total economic wellbeing of the province.

8:50 p.m.

As you know, under the Power Corporation Act, which gives the government the power—in fact, requires the government to approve, through the Lieutenant Governor in Council, an order in council for any major contract Ontario Hydro enters into, and also to approve the borrowing by Ontario Hydro to pay for those major contracts.

This is only my personal view, but I think I express the view of some of my colleagues. With great respect, I believe that is a responsibility that is so immense, that cuts across the entire survival of the province economically, socially and structurally, that it would be unwise for the Legislature to delegate that to the Ontario Energy Board or to any energy board.

That should stay within the purview of the Legislature, whether it is through the cabinet or however the Legislature decides. That should not be delegated.

However, may I say that does not mean that, if an application is made to the minister for a major capital undertaking by Hydro, it could not be referred to the energy board for a report. Do you understand, sir? That is not to make a decision, but merely to report back.

I am not advocating it. I am simply saying it is a possibility, if the government were to decide as a matter of policy that it be done. The advantage of it is that it permits a substantial amount of public and other input and comment. Then it goes back either to the minister or the Lieutenant Governor in Council, which is the cabinet, which makes the decision. However, there could be advice from the energy board on whether the expenditure should be made.

We believe—I believe, in any event—that the only approving authority of capital expenditures or the borrowing of funds should be the government and not the board. That still leaves a substantial area of rate-making open, whereby at present we report to the minister and the board of Hydro. It is possible that function could become a rate-fixing responsibility as opposed to a reporting function, but it is government policy as to how. I do not think I have a choice.

I am perfectly prepared, and we are prepared, to do the best we can with whatever mandate is

handed to us. If it is decided we should fix rates in relation to the balance of Ontario Hydro, taking into consideration the borrowing constraints and the capital construction plan, it is possible to do it and it is being done in other areas.

Mr. Di Santo: Of course, I—

Mr. Macaulay: Will you forgive me a second? There are a couple of points. I am not reading from any notes. I am just trying to answer as best I can.

There are a number of problems you will have to look at carefully if you recommend it. One is, what would you do with municipalities? Will you get into retail rates or are you talking about wholesale rates?

Mr. Di Santo: Wholesale rates.

Mr. Macaulay: Then in addition, I think you would have to leave open an appeal procedure, either to the cabinet or the Legislature, in the event rates were to be fixed by the board.

Third, you have a major problem in Ontario that is not in existence in any other province. As you know, originally the municipalities were of the view that they owned Hydro. When I was vice-chairman, the accounts of Hydro showed that the municipalities had an equitable interest in it. This was a major issue when the government in effect decided to turn Hydro into a crown corporation.

It is a strange vignette to put to you, but the Ontario Municipal Electric Association retained me to act as its counsel to advise whether it was constitutional for the government to do it. I thought it was clearly constitutional to do it. I thought it was an illusion, in a sense, that the municipalities owned Hydro, because Hydro will never be wound up—unless you read Mr. Solomon's book—and therefore it seems to me the equitable ownership of Ontario Hydro is really an academic matter.

The municipalities still maintain that they have a substantial interest in Hydro. If you go into the question of rate-making by the Ontario Energy Board as opposed to the board of directors, you will have a very serious problem to deal with. I am not saying it cannot be dealt with, but it will be there.

There are two other constraints you will have. One, the Power Corporation Act would have to be amended, because it is quite clear, from reading the Power Corporation Act, that the board of directors of Ontario Hydro has been granted substantial autonomy. There is also a letter of understanding between the government and Ontario Hydro with reference to its auton-

omy. So a number of matters, Mr. Di Santo, would really have to be looked at.

Mr. Di Santo: We understand that. When we talk of rate setting, we are talking of setting wholesale rates.

Mr. Macaulay: Yes, sir, I understand that.

Mr. Di Santo: We also understand it is a very complex issue. I do not even pretend to make it simple and explain it in every detail.

My concern is that at this point, when Hydro appears before your board, you do not have all the information available to even recommend rates. In fact, in 1982—I remember, because I appeared before the Ontario Energy Board at that time—your own counsel said: “Hydro is plagued with excesses, including generating capacity, heavy water and heavy water capacity, western Canadian coal, oil, uranium, nuclear fuel, land, and possibly people. The board has not been able to examine many of these areas of concern due to the claims of commercial confidentiality.”

The question I would like to put to you is, if, on top of this, we add the expansion system, which is having an incredible impact not only on Hydro but also on the financial integrity of Ontario, how can the board—not being able to examine all of that vast area—come to a rational conclusion without knowing all those important elements?

Mr. Macaulay: There are a couple of points I would like to make, Mr. Di Santo. You are quoting from Mr. Rogers’s statement, as I remember. Since I was first appointed as counsel to the Ontario Energy Board, there has always been a misnomer. Mr. Rogers is not counsel to the board. He is not the board’s counsel. He is there on behalf of the interested public generally.

We have our own counsel. We now distinguish between a special counsel, which Mr. Rogers would be if he were in the next Hydro case, and our own counsel. It is a misnomer because it sounds as if he is speaking for the board. He is not. Mr. Rogers was speaking for the general public interest. That is the first point. I would just like to make it clear.

The second point is the terms of reference. Under the act, the board only looks at matters referred to it by the minister’s reference.

In the past, I think there has been some concern about including the capital construction program in the reference. It has been committed and it is under way. What would be the point of the board looking at it when it is committed and under way? There would not really be much point. I think, in many respects, you should really be dealing with the future, and how the

expenses of the present, currently-committed program should be looked at.

I think conditions are changing. In our next hearing, it may be possible to include what matters the board should look at in the terms of reference. These are matters which, presumably, will be discussed between the minister and Hydro. I expect the minister and Hydro will consider the comments the board has made about what should be included in the terms of reference.

9 p.m.

It quite likely could be appropriate to have some consideration of the capital construction program referred to the board, but it should be done with great care so it does not become a witchhunt. There is no point in that at all. The most serious point is how to deal with future costs in relation to past approvals.

May I point out to you, Mr. Di Santo, the tremendous dichotomy that exists. On the one hand you have the people who want the rates down, and on the other hand many of us are complaining about the fact that Hydro is pushing expenditures off into the future. They should not be pushing them off, and the board has had something to say about this.

The more those costs that are being pushed off into the future are brought back into the present, the greater effect it is going to have on increasing rates. Here it is a case of you are damned if you do and you are damned if you do not. If those costs are not shoved off into the future, and we, the board, do not think that they should be, they are going to have to be brought into the present rate structure, which is going to raise the rates.

No matter how well-intentioned one is, one has to realize—as I know you do, sir, from reading a number of speeches you have given—that it is an extremely complicated subject.

Mr. Di Santo: Yes. The only comment I would like to make is that I agree with you. It is a situation where you are in a bind.

Mr. Macaulay: So are you, sir; that is the problem. I do not mean you, individually, but so is every legislator.

Mr. Di Santo: I know. We are not thinking in terms of a witchhunt at all. We are thinking that at this very moment many people—and this is the frustration of the opposition members and I would say the public at large—there is no forum whatsoever where we can really know—in fact, the select committee has not been in existence since 1981—there is no forum where Hydro can be thoroughly investigated and examined.

As you said, we have a very anomalous situation, where Hydro commits itself to new nuclear plants, like Darlington, and then the Ontario Energy Board some years down the line, when the plant is committed, will be faced with the situation where it has to include the Darlington costs into the rates, when the plant has already been completed.

If you had a view of Hydro's projects in advance, you could give the government—if we take your approach—better advice. You would know exactly what Ontario Hydro's requirements would be. Also, the public would be better informed. They would know exactly where we are going.

Mr. Macaulay: With respect to future commitments, I think that argument certainly holds true. It is a question of government policy. If it wants to ask the opinion of the board and get a report, the board is equipped and able to do so, but it is up to the government to so decide.

What complicates things are the commitments that have been made, the debt that has been created, and the costs involved in carrying these commitments. That will, and does, take the wisdom of Solomon to cope with. There are as many opinions as there are persons with opinions.

Mr. Di Santo: I know that.

Mr. Chairman, perhaps I should ask a question of the minister at this time, because it seems it is a matter of policy. We were faced with the very situation Mr. Macaulay was talking about, when the government decided to go ahead with Darlington, against the advice of many people, including people in cabinet.

I would like to ask the minister, in view of the debate tonight and what has been said and what will be said in future, does he think the terms of reference should be changed—not the way we want, but to include, for instance, what Mr. Macaulay has said?

Hon. Mr. Andrewes: Mr. Chairman, Mr. Di Santo poses a rather interesting question. I guess I want to pose one back to him. First of all, who is responsible for the delivery of service? Who is responsible for planning the system to meet future needs? That is the responsibility of the Ontario Hydro board.

It undertakes that in consultation with those in our ministry who are able to sit down with Hydro and analyse what those future needs will be. Clearly the Hydro board, the utility, has the responsibility for planning for the future and undertaking a capital expenditure program to meet those future needs. You would agree?

Mr. Di Santo: I am listening to you.

Hon. Mr. Andrewes: The question you raise about how the undertakings will affect the rates is rather an interesting one. I would be prepared to hear more on that subject from Mr. Macaulay and others. I have no mindset about how one views the system expansion program, but I think the point Mr. Macaulay is making is that the current capital undertakings of Ontario Hydro as approved by cabinet—

Mr. Di Santo: We understand that.

Hon. Mr. Andrewes: —are well under way and there would be little point in the Ontario Energy Board reviewing them at this stage of the game.

Mr. Macaulay: May I make an observation? I make this observation as a lawyer.

Mr. Stokes: That is not going to stand you in good stead.

Mr. Macaulay: Okay, what should I have said?

Mr. Stokes: "A practical human being."

Mr. Macaulay: A practical human being. I would just say the act under which we operate says, in effect, "Thou shalt make your decision on the evidence." In all fairness, the evidence upon which are based the forecasts of demand and the decisions on the need to construct plants has varied up and down over the past 10 years. Nobody, but nobody, foresaw the big dip brought about by conservation and the recession. Nobody saw it. Every utility in North America has suffered from exactly the same problem.

If the only evidence that could have been brought before the board was of encouragement and anticipation of development in the future, we would have been making our decision on very much the same kind of evidence that I suspect the board of Hydro was using in the past to determine the necessity for construction. In that case I say to myself, "Would we be any better off today in terms of rates if this board had had that responsibility during that time?"

I have to bear in mind we would have had to decide the case on the evidence, the consensus of the technically competent people who were available to testify before the board.

Mr. Di Santo: Of course, that is hypothetical. Historically, we know that in the past few years Hydro has always come to the board with revenue requirements that were higher than the rates granted by the Ontario Energy Board. Ontario Hydro was always able to live with the lower rates which were suggested.

Mr. Macaulay: Yes, that is right. I think it is worthwhile commenting that we have had 11 Hydro cases and my recollection is that in every one of them we have reduced the revenue requirement of Ontario Hydro. In all but one case, the Hydro board has accepted our recommendation.

9:10 p.m.

I will also say that in every decision we have made there have been up to 90 individual accounting, managing and other recommendations. I have them here with me if anyone is interested in them. The number of times upon which Hydro has done its best to comply with the board's directions—I am sorry, they are not directions—recommendations has been very substantial. People who say, as I have heard it said, "The energy board has had absolutely no influence at all on the conduct of Hydro in this province," honestly either are intentionally not providing the facts or are unfair.

Mr. Di Santo: We do not say that. That does not come from us. You know that. We are saying that, with the present terms of reference, the Ontario Energy Board is not able to do the job it could more properly do if it had all the elements scrutinized.

Mr. Macaulay: The minister has said tonight—I may have misunderstood him—his mind is not set against what may be included in the terms of reference. He may well broaden that on another occasion. Both he and I have expressed a view—not by any concert, I assure you—that there is no point in us looking at the commitments that have been made.

What we should look at, with respect to those commitments, is how they are going to be dealt with in the future. Are they going to be shoved off into the future or accepted at the moment; how you deal with depreciation; how you deal with mothballing plants; how you deal with heavy water; the values of them—those are things that could still be considered, although commitments have been made.

Mr. Di Santo: Exactly. Those are policy decisions that must be made by the elected people who—

Mr. Macaulay: That is beyond our power.

Mr. Di Santo: Yes, we understand that, but the fact is—I am responding to you briefly and then you may have the floor.

We do not deny Hydro must plan. Of course Hydro must plan. We are saying that when you have a public utility such as Hydro with such an immense reserve, which will be 57 per cent in

1986-87—when Hydro has such an impact on the financial ability of the province, there must be public scrutiny. That does not exist now.

Since the government makes the decisions secretly—they are never debated in the Legislature and there is no other public forum where those issues can be debated—and since we think the Ontario Energy Board now is hampered from making a well-informed decision because it cannot scrutinize all the elements, we are saying the terms of reference should be broadened to include the system expansion program.

Hon. Mr. Andrewes: I want to make one comment on what Mr. Di Santo is saying. I am not sure I quite understand how the board is hampered.

The point Mr. Macaulay is making is that perhaps it is appropriate—and the board made this recommendation in its report to me on the 1985 rate—that the board hold a special hearing to address some of these issues as to how you account in today's rate base for what has already been committed.

I would refer you to the letter of transmittal I sent to the chairman of the energy board in April 1984, point (d), in which I say, "As in previous years, the board shall review and report on the impact of the system expansion program on the proposed rates. However, the system expansion program is excluded from this review."

In other words, as is so well documented by Mr. Macaulay—and I added to it—the undertakings themselves are not to be the subject of review but the costs of those undertakings are always the subject of review.

Mr. Macaulay: I am obligated to you, sir, for pointing out something I should have stated. We feel the Hydro hearings in August—we have to report to you on August 31, as I remember, and we do not get the reference until some time in April. Then it takes time to get the material. There is no point in being critical of either the ministry or Hydro. If you get facts too soon, they are stale and they are of no use to you at all.

As a matter of fact, it is the last-minute facts upon which you want to act, the most recent information. One statement made about the whole engineering society is that an engineer will wait as late as he can to make a commitment. That is because we live in a dynamic society and the facts change.

We have proposed to the minister that rather than trying to wrap everything up in one big hearing in August, during the year we could have two or three side hearings which we would then report back to the ministry and to the board of

Ontario Hydro. The decision could then be reflected in the decision of the board in the summer. We could thus save a lot of time and on the other hand give a lot greater public attention to some of the issues you have quite appropriately highlighted.

Mr. Chairman: Thank you, Mr. Di Santo. Mr. Stokes, I wonder whether you are going to make a comment on the fact we have the lights on right behind you.

Mr. Stokes: I noticed that. Thank you, Mr. Chairman, and the clerk of the committee. You have done an excellent job, living up to your usual high standard of excellence. The green really adds something to it aesthetically.

Mr. Chairman: It does, yes.

Mr. Stokes: I suppose I should thank Hydro for the fact they are still burning.

Hon. Mr. Andrewes: I want a fire in the fireplace.

Mr. Stokes: Mr. Macaulay, what is the status of the time-of-use element or component of the application by Ontario Hydro?

Mr. Macaulay: Time-of-use rates?

Mr. Stokes: Yes. I have been in the board room of another person of the same name just down the street a little bit. He was absolutely convinced that was the way to go in order to get equity into the system; to charge people proportionately to the amount of energy used and the time at which they used it, given the loads and everything else. He was absolutely convinced of that and I was never able to dissuade him.

All the Ontario Municipal Electric Association people to whom I have talked say it is wrong-headed and that it discriminates and impacts very heavily on people who live in the north because of the long winters, the climatic conditions and the fact we do not have air conditioners as you people have down here in the south. I do not know of any home I visit on a regular basis north of the French River that has an air conditioner, but that is not taken into account.

It is my understanding the association did make a presentation to the Ontario Energy Board. It is my understanding you were not too happy with it; you told the association to take it back and rework it.

Am I supposed to tell those 750,000 people living in five sixths of the geographic entity of the province that we should not be disadvantaged because we happen to live in a colder climate where we do not need air conditioners, but that we are being disadvantaged by this application

by Ontario Hydro to your board for a special time-of-use rate?

Mr. Macaulay: I would make two or three points. You asked me where it stands. We had a special hearing three or four years ago that we called, among all kinds of names, the marginal cost rate hearing. During and as a result of the hearing, the board recommended there be diurnal rates—that is time-of-day—and time-of-the-year rates. That was the general recommendation: time-of-day rates and time-of-the-year rates.

During certain periods of the year there is a higher peak demand on the system than at other times. We should try to encourage people to get off the peak and get into the valley so that we do not have to create as much peaking capacity.

This was recommended to Ontario Hydro and Ontario Hydro said it was having a great deal of difficulty convincing a number of the members of the public, industry, the Ontario Municipal Electric Association and so on that this was the way to go.

9:20 p.m.

There is a very strong opinion it does not discriminate against customers in the north. In fact, as far as I know there has been no study conducted that proves any discrimination exists.

This argument arose, I understand, in the city of Sudbury where people, at that time, objected to certain changes in the allocation of costs which had nothing to do with daily or monthly rates. They were able to encourage a number of other people to follow this approach and attack these kinds of rates. It might be appropriate for us to put that to rest by attempting to establish, if we can, whether the allegation concerning discrimination is true. From an engineering and accounting position, based on advice I have received, it is a fallacious allegation.

What you will say to your constituents, I do not know, except to note that at one time, this board recommended it. Ontario Hydro has said it is having difficulty with it. I would like to go back and look at it in a certain way, in a public way, so we can find out if there is any discrimination. I would like, frankly, to put the thing on ice with you for another year. In any event, I do not think Hydro intends to put it in within the coming year.

You were talking about my brother thinking it is the only way to go. I judge it is my brother. Is that to whom you were speaking?

Mr. Stokes: Could be.

Mr. Macaulay: I do not agree with him, but I have often disagreed with him on other matters.

What I think is extremely important is to actually discern whether or not there is any prejudice. We should be able to test it out. If Hydro decides it is not saleable, because of either Ontario Municipal Electric Association resistance or industrial resistance in the south, or in the north, then that is its decision.

As the minister was saying, they have this responsibility. All we can do is say we have looked at it and the allegation is baseless. We believe it is baseless and I am perfectly prepared to give you the commitment that we will look at it to test, if we can, whether it is baseless. If it is, knowing you and knowing me, we will have a discussion at that time, I hope next year.

Mr. Stokes: I will not be here next year. You probably will be, but I will not.

Mr. Macaulay: You will not? I hope I will. I will miss you.

Mr. Stokes: How can you make that statement when you know that the peak load, certainly on the northern portion of the Ontario grid, is some time in December? There is an uphill climb to then and then there is a gradual slope down the hill.

Mr. Macaulay: That is right.

Mr. Stokes: How can you make that statement, without having analysed the allegation?

Mr. Macaulay: We have analysed it and it is without foundation.

Mr. Stokes: How can you say that?

Mr. Macaulay: All I can say is I have to rely on the accounting and engineering advice I have been given.

Mr. Stokes: How would it be if I sent you my bill?

Mr. Macaulay: You can send your bill. Incidentally, I happen to have come prepared for this question. We can show you from a gas point of view, but you are talking about electricity, are you not?

Mr. Stokes: We do not have gas where I live.

Mr. Macaulay: Well, I cannot help that.

Mr. Stokes: We do not have gas. We are captive up there.

Mr. Macaulay: I see, you rely entirely on electricity. I am sorry, I do not know, specifically, what your residence area is.

Mr. Stokes: The north shore of Lake Superior.

Mr. Macaulay: I understand that is quite a sizeable area. What is the closest—

Mr. Stokes: We do not have gas in Schreiber, Terrace Bay, Marathon, Manitouwadge.

Mr. Macaulay: I am not an engineer. The best advice I have is that there is no prejudice to the north. That is all I can say.

Mr. Stokes: You cannot prove it, but you can say it. You are wrong.

Mr. Macaulay: If you could see the amount of material we have that relates to the costs of Hydro—I do not even have a note. I am coming here to talk to you on the basis of what I know. I am telling you the truth.

Our investigations indicate that there is no prejudice. That is all I can tell you. The next time I come here, and sadly enough you will not be here, I will be loaded for bear. I will bring the material in in every truck in the country and go through them with you, if you will stay here.

Mr. Stokes: If you let me know when you are coming, I promise I will be back, at my own expense.

Mr. Macaulay: You come in in a couple of weeks and I will have the figures set up and go through them for you. I will be delighted to have you come in. We will go through the whole shooting match with you and you can stay with us as long as you want; you will be more than welcome.

I know you will not come out of that meeting and say, "You do not know what you are talking about, Macaulay," because that is what you are saying.

Mr. Stokes: So I can report back to all of the OMEA districts in northern Ontario that you have irrefutable evidence to indicate they are all wet.

Mr. Macaulay: I did not say they were wet at all. Do not put words like that in my mouth. That is very provocative. I am a guest here.

Mr. Stokes: Sure you are. If you are offended, I am sorry. The thing is you do not have any evidence, yet you say—

Mr. Macaulay: I did not say I did not. I said I do not have it with me. I say if you will come in two weeks, we will give it to you.

Mr. Stokes: I will be in to see you in two weeks.

Mr. Macaulay: All right, that is perfectly fine with me. That is why I extended the invitation to you.

Mr. Stokes: Okay.

Mr. Chairman: Thank you, Mr. Stokes. Are there any further questions for Mr. Macaulay?

Mr. Kerrio: There is a facet to this that will be next to impossible to deal with. I have raised the question with the minister in the Legislature. It relates to Hydro's involvement with job creation and the economic future of the province.

I suggested at that time, I think most properly, that this should be a determination on the part of the Legislature, because this kind of involvement by Ontario Hydro would be next to impossible to deal with, as it relates to interpreting rates. If Ontario Hydro has a mandate where it can participate in job creation and other aspects that might be for the good of the future economic picture, it would leave your board at a loss as to how to identify with that involvement in the rate structure. Do you understand what I am trying to say?

Mr. Macaulay: I hope I do. That is a kind of social engineering and economic programming. It is one of the reasons why we do not believe that the capital construction program should be determined by this board.

Mr. Kerrio: It weaves its way through the whole idea.

Mr. Macaulay: I know it does, and that is why it ought to rest with the Legislature. There are many undertakings that we carry out in this province which are not necessarily economical, or pay for themselves, but from which we gain other tangential advantages. These are decisions we believe have to be made in the Legislature and cannot be made by our board.

This is one of the reasons why we think capital expenditures should be approved, in the first and final analysis, by instruments of the Legislature, of which the cabinet is one.

Mr. Kerrio: I am going to extend the question. It is really not put to you, but to the minister.

In making that determination, the tools that Mr. Macaulay might have may be more properly addressed to the question than the tools that you, Minister, might have to address to that same question.

Hon. Mr. Andrewes: I am not sure what the question is.

Mr. Kerrio: The question is when we make a determination on the part of Ontario Hydro, and it was brought into focus here, that the government itself, on the Board of Industrial Leadership and Development program, decided to go ahead with some construction that Hydro was not prepared to go ahead with.

If we force Hydro, or if Hydro itself gets involved in something that can be best described

as helping our economy, rather than something it should be doing for system expansion, how do we decide who has the tools to make that decision? In this last go around, the cabinet decided we would go ahead with Darlington. Who would be better equipped to make that decision: Hydro, the Ontario Energy Board or the government?

Hon. Mr. Andrewes: I do not think it is reasonable to expect the Ontario Energy Board to make a determination on the economic impact.

Mr. Kerrio: We expect them to participate in the setting of rates.

9:30 p.m.

Hon. Mr. Andrewes: Where the economic impact has been determined by cabinet or by the Legislature or by some other group that it would be in the best interests of the province to see certain activities proceed—

Mr. Kerrio: I appreciate that.

Hon. Mr. Andrewes:—I am not sure that the Ontario Energy Board would—and I am not a student of the act, so I cannot cite you a verse in the act or a section of it—but certainly on the whole question of how the energy policy relates to the economic impact on the province and where we are going in the future, I think it is vital that the Legislature and cabinet play a direct role in that.

We have the tools to do that. We discussed that briefly the other night. We have the analytic capacity within the ministry. We work very closely with the Treasury and the Ministry of Industry and Trade to conduct this analysis, to come up with these models, to make the determinations that help us make the best decisions for the economic future of the province.

Mr. Kerrio: I suppose the reason I posed the question is that I do not want to see the Ontario Energy Board with the resources to do this, Ontario Hydro with the resources to do this, and the government with the resources to do this. I think that we, not properly, put questions to the Ontario Energy Board that it should not be asked to answer. That is, what its mandate is as dictated by the government.

Hon. Mr. Andrewes: Mr. Di Santo thinks we should have a select committee with the resources to do it, as well.

Mr. Di Santo: Sure.

Hon. Mr. Andrewes: That would be a further duplication.

Mr. Kerrio: We are like soldiers. We get the same money for marching as we do for fighting. They pay us anyway.

Mr. Macaulay: Mr. Chairman, I omitted to say something to Mr. Stokes that I am rather sorry I did not say. If I seemed to get unduly disturbed, I hope you will forgive me, Mr. Stokes.

The Ontario Municipal Electric Association supported time-of-use rates in our last case. That was not the first time the OMEA supported it, and were critical of Hydro because they did not implement the time-of-use-rates recommendations that this board had made in—I think it was HR5—an earlier recommendation.

The OMEA is on record in support of it. Mr. Stokes can tell his clients whatever he wants.

Mr. Stokes: That is fine, Mr. Macaulay. I was kind of charitable to you because you are a servant. You are here to answer questions and I do not want to be uncharitable.

The northern Ontario component of the OMEA is diametrically opposed to what Ontario Hydro is attempting to do by way of time-of-day and time-of-use rates. I do not know the position of the OMEA generally. This is a big province and there are a lot of zones. I have been sent down here to represent the people of northern Ontario. They are opposed. You can speak for OMEA, for Hydro and for the Ontario Energy Board, but I am here to speak for the north.

Mr. Macaulay: That is fine, sir.

Mr. Chairman: Fine, thank you.

Mr. Macaulay: We called a hearing and the OMEA were there and no one appeared to say that any portion of the OMEA was opposed to it, as I recall.

Mr. Stokes: I would like to report to you that certain portions are opposed.

Mr. Chairman: I think we have to let it go at that. We are not going to resolve it tonight.

Mr. Stokes: I did not raise it again.

Mr. Chairman: No, I realize you did not, Mr. Stokes. Are you satisfied, Mr. Kerrio?

Mr. Kerrio: Yes, I am prepared to move on.

Mr. Stokes: I got along a lot better with your brother, by the way. I thought he was a real gem. He started the whole thing. You are a little bit thin-skinned for some reason.

Mr. Chairman: At this point, I would like to thank Mr. Macaulay for appearing before us.

Mr. Kerrio: I have one more question before he leaves us.

Mr. Chairman: Do you really have to ask the question, because we are running short of time? We are going to have votes at 10:15 this evening.

Mr. Kerrio: Are we?

Mr. Chairman: We have Mr. Rowan here representing the—

Mr. Macaulay: Come over and have a chat early next week.

Mr. Kerrio: We will do that.

Mr. Macaulay: You can come too—

Mr. Chairman: It sounds like a great party.

Mr. Macaulay: Mr. Stokes is coming in in two weeks—

Mr. Kerrio: Jack is coming. Jack said he cannot go without doing so.

Mr. Stokes: When you have all of the facts, just give me a call.

Mr. Kerrio: All right, Mr. Chairman. I will accept that.

Mr. Lupusella: I want to talk about the federal energy board.

Mr. Chairman: Thank you very much, Mr. Macaulay.

Mr. Macaulay: Thank you very much, Mr. Chairman.

Mr. Chairman: I wonder if Mr. Rowan would like to come to the front.

Mr. Kerrio: Oh, now this is going to be different.

Mr. Stokes: Everything up front.

Mr. Chairman: Welcome to the committee, Mr. Rowan.

Mr. Rowan: Thank you very much, Mr. Chairman.

Mr. Chairman: I wonder if you would like to make a few introductory remarks.

Mr. Kerrio: Fifty cents a litre. What goes on here?

Mr. Chairman: There might well be one or two questions from committee members.

Mr. Kerrio: Yes, are we ready to start?

Mr. Chairman: Mr. Rowan might like to make some introductory remarks.

Mr. Kerrio: No, because if he makes an opening statement, he will take us through to 10:30. I have seen that game before.

Mr. Rowan: I am at the pleasure of the committee, Mr. Chairman. I have no opening statement.

Mr. Chairman: All right. Go ahead.

Mr. Lupusella: I have a simple question. Do you have anything to do with the National Energy Board or is it something completely different from you—

Interjections.

Mr. Rowan: No, we have nothing to do with the National Energy Board.

Mr. Chairman: Was that your only question?

Mr. Lupusella: Yes, Mr. Di Santo is going to—

Mr. Kerrio: We have been in the gasoline business for a while. Because of our investment, I wonder if we can expect some time that the people of Ontario might be more properly served in their having an interest in two oil companies by their seeing some kind of reasonable pricing at the gas pump.

Those delinquents in Ottawa can talk about selling it in gallons, litres, ounces, pounds or what the hell ever, but really they do not address themselves to a very reasonable involvement on behalf of the citizens of Ontario and Canada. I say this with the greatest sincerity.

If we are involved in two companies—you are not, of course; you are just 25 per cent of one, but we own the other one outright—when can we expect some kind of stability at the pump? What are we about?

You go on the highway on a holiday weekend and the price goes up. You go to Niagara and pay 50 cents a litre; you go to Fonthill and it is 40 cents. Is the window on the industry blacked out or did the blind come down or what?

Mr. Haggerty: On the American side it is \$1.15 a gallon.

Mr. Kerrio: Yes, and way down south it is less. I suppose if you add the 20 per cent, we have to be reasonable and talk about \$1.25.

Having made the investment, is there any reason to believe that somewhere down the line you will do a competitive analysis of the situation? I am free enterpriser. I do not ever want to think that we should sell and lose money and be unfair competition. Do you understand what I mean by that?

Interjections.

Mr. Kerrio: I mean reasonable, fair competition.

Mr. Haggerty: What he is asking for is parity with the American gas company that owns Suncor.

Mr. Kerrio: Would you address yourself to that problem in the first order of business? Can we expect any—

Mr. Rowan: In answering that question, I suppose it is fair to ask what level of stability is expected; whether it is at a high or low level. As Mr. Kerrio knows, what seems to be happening is that the supply of gasoline at present is exceeding the demand and there is consequently significant instability in the marketplace.

The beneficiaries of that are the consumers. If I were a consumer, as I am, I would welcome instability because it means that I get gasoline at a lower price. The important question to ask is whether the higher price, the price around 48 cents a litre or thereabouts, is a reasonable price.

9:40 p.m.

Mr. Kerrio: That is right. That is the question.

Mr. Rowan: If anyone looks at the rate of return for the refining and marketing segment of the integrated oil companies, he will find that the rates of return for that segment are significantly below the other segments of their business. This suggests to me that the averaging out of the high and the low prices in the marketplace brings a rate of return to the oil companies that is below one which you, when you were a businessman, Mr. Kerrio, would expect to be a reasonable margin, a reasonable profit for your investment or a reasonable rate of return.

Mr. Kerrio: I never got to the high prices. I was always working at the low ones.

Mr. Rowan: I can answer your question this way. The oil companies—all of them—are not getting good rates of return on refining and marketing. It is fortunate for the consumer—

Mr. Haggerty: You have been saying that for years.

Mr. Rowan: —that these gasoline price wars exist and there is some expectation that they will continue to exist for quite a while into the future.

Mr. Kerrio: What you are saying is that unless we make good money on the investment as a province or federal government, the owner of the oil company really is not going to perform the function that the people, through polls, decided would be the tremendous advantage to owning an oil company, namely, to give some stability to prices at the pump.

I suppose, in a sense, that is what you are saying. Our ownership is only going to participate in the oil business the same way that the oil companies participated, in that we cannot expect any kind of advantage to owning an oil company except it might show a profit on the investment for the province. But in reality we will not give the public any reason to think that somewhere

down the line there would be some reasonable uniformity.

Mr. Rowan: As you know, sir, the objectives for investment in Suncor did not include the objective you were suggesting.

Mr. Kerrio: Yes.

Mr. Rowan: Therefore, there is no comment I could make, because you have just added a new one.

Mr. Kerrio: Maybe just because we owned 25 per cent.

Mr. Haggerty: What is the benefit of owning 25 per cent?

Mr. Kerrio: What I have already said. The benefit has to be in the return on the investment. Maybe those federal guys are going to do something for us. They own a whole company.

What do you do as a citizen if you drive down the street and there is a Petro-Canada on one corner and a Sunoco on the other? Who the hell do you buy from now?

Hon. Mr. Andrewes: The one that has the lowest price.

Mr. Kerrio: But they get the same price, the rascals. That is what happened to those dredging guys. They were put in jail for that kind of involvement.

Mr. Haggerty: Price fixing.

Mr. Kerrio: Did they? Is it not funny the kind of games we play and the kind of rules we make?

Mr. Di Santo: What is the question?

Mr. Kerrio: The question is, what is the purpose of the investment unless it gives the people that pull up to the pump—

Mr. Haggerty: No benefit.

Mr. Kerrio: —a benefit, some stability in the pricing.

Mr. Chairman: I think Mr. Kerrio put the question to the gentleman—

Mr. Di Santo: Yes. I am completing Vince's question. With 25 per cent, do you think Suncor can achieve the goal Vince is proposing for a public company?

Mr. Kerrio: That was no goal, but I guess not.

Mr. Rowan: As I have already said, that was not one of the objectives that was set at the time of the purchase, so I am at a disadvantage to try to answer the question when it is not one of the objectives.

If Mr. Kerrio wants to set that objective, I wish him well.

Mr. Kerrio: I have one more question and then I should turn it over to my other friends.

I put this scenario to the minister and I should put it to you. In the whole scheme of things, I am going to ask now about where we are at with world price because this is kind of a sticky question now. As I see it, world price is a monopolistic, fixed price set by a group of people who got together to form a cartel to take advantage of the consumers. I hope you will correct me if I am wrong anywhere. Initially, when we were a producing nation, Ontario bought oil from her sister province, Alberta, and—

Hon. Mr. Andrewes: We still are.

Mr. Kerrio: —in the initial stages paid more to Alberta for oil than if we had bought from the Far East.

Mr. Villeneuve: I wonder what government arranged that?

Mr. Kerrio: It was not the government that was doing it. You are going to see that. I will pay a tribute to the government that was in power here 30 years ago, so watch how I do this and then I will get back at you later.

Mr. Villeneuve: I am learning.

Mr. Kerrio: I think this government provincially, which at the time—I do not remember it ever not being Tory—paid more to Alberta because of the national instincts this province had. In the meantime, we were generating a fair amount of money as a manufacturing province and spreading it right across the nation.

Now Alberta, which has come into this bonanza, is talking world price. This is the question I pose to you, even though you have a provincial involvement, because now I think we should play a role. World price in most nations only means that if they sell offshore, they will get the world price because of the cartel arrangement. There are very few jurisdictions where the demand of their own consumers generates world price. They are given a tremendous advantage. I cannot imagine there are any jurisdictions that decide that within the boundaries of their nation they should have world price.

Now that we are looking at a national involvement—you will be involved because you are representing an oil company here—who is going to put the argument that we should have a fair price for Canadians that has nothing to do with a cartel, fixed-rate price?

Is that a reasonable position that you should take to your counterparts in the national energy scheme, with regard to all of the things that are going to unfold in a great and wonderful way

over the next short time? I for one cannot accept that we should be caught in that scenario.

Mr. Rowan: I think you are right when you describe the involvement of Ontario in the early 1960s when the province chose to support the policy of encouraging the development of the western oil and gas industry. That was a very farsighted decision and one which stood all Canadians in great stead in the 1970s when we had the Arab oil embargo, because we had an industry that was fairly sophisticated.

Mr. Kerrio: That we helped to set up.

Mr. Rowan: You may also recall that in the 1970s this government took a very strong stand with respect to the pricing of oil and was the first to propose the blended oil price system that was effected in 1976. It became the system we have today, which provides less than world price at the refinery.

Mr. Kerrio: The rumours frighten me, what people are saying and where we are going.

Mr. Rowan: I am somewhat surprised to hear your comments on the blended oil system and I hesitate to do this, sir, but I should also remind you that when the Ontario government was proposing the blended oil price, it was roundly criticized in this Legislature by some people as a wrong policy. There were a number who felt very strongly we should go to world price.

Mr. Stokes: It must have been the Liberals.

9:50 p.m.

Mr. Kerrio: Jack, that does not embarrass me. I come here armed to do what I think is in the best interests of my constituents and the people of Ontario. If some person took a ridiculous stand a while back—it could have been my former leader, but he was more a socialist than a Liberal.

Mr. Watson: That was a very astute observation.

Mr. Kerrio: Yes.

Hon. Mr. Andrewes: What was that?

Mr. Kerrio: That was Stuart, Trudeau; it is an era gone now.

Mr. Stokes: I heard one of your colleagues make a statement not too long ago. He said David Peterson did what he thought would have been the impossible. I asked, "What could that have possibly been?" He said, "David Peterson has made Stuart Smith look good."

Mr. Chairman: I wonder if we could get back to Mr. Rowan's response.

Mr. Kerrio: David Peterson has not got a \$70,000 price tag like Stephen "dressed up" Lewis.

Mr. Chairman: Okay, now, I am going to rule that—

Mr. Kerrio: If you want to play the game, if you want to talk when I am putting, I will talk when you putt. If you will be quiet when I putt, I will do the same.

Mr. Lupusella: I think Mr. Kerrio should give us the alternative choice of that.

Mr. Chairman: Multiple choice.

Mr. Lupusella: Especially with Stephen Lewis.

Mr. Chairman: I think Mr. Kerrio did ask a question and Mr. Rowan was attempting to answer it.

Mr. Kerrio: Seventy thousand bucks. Everything has a price.

Mr. Di Santo: Come on.

Mr. Kerrio: I did not start it.

Mr. Di Santo: Mr. Chairman, may I ask a question?

Mr. Kerrio: My friend was answering my question when he was rudely interrupting.

Mr. Chairman: Mr. Kerrio, you are interrupting yourself now. That is bad.

Mr. Kerrio: Very often I do that when there is not much sense coming from the other people.

Mr. Chairman: Over to you, Mr. Rowan.

Mr. Rowan: What we have had is a very strong effort by the province to ensure there was a balance between consumers and producers. That balance has been a reasonable one which has stood us in good stead for a number of years at the refinery. However, there have been a number of taxes, a Canadian ownership charge and other taxes, that have increased the price of gasoline at the pump.

I would take a little exception to what Mr. Kerrio said with respect to other countries not going to world price and charging their own people.

Mr. Kerrio: Do many?

Mr. Rowan: There are a number of very important countries. I would say Britain—

Mr. Kerrio: Britain is one; I know that.

Mr. Rowan: Britain is one and the United States is another.

Mr. Kerrio: But most of the major producers do not.

Mr. Rowan: If you are talking about Saudi Arabia, Venezuela and Mexico, I would have to agree with you. They have a two-price system. Most of the industrialized world charges at the

pump. One has to make a distinction between gasoline to the consumer and crude oil at the refinery. Most of the industrialized world charges as much, if not more, at the pump than we do.

There was some reference to gasoline in the United States being lower.

Mr. Haggerty: You can talk about Germany and Italy—

Mr. Kerrio: Importers.

Mr. Haggerty: No.

Mr. Kerrio: That is right. My question really boils right down to, should we allow a cartel price to become a factor in establishing a price?

Mr. Rowan: I am not the person to be asked that question. The discussion will be between governments. The record of this government is that it has been a very strong participant in the crude oil pricing game in Canada. It has been a very influential participant and a very successful participant on behalf of the consumer.

It is very important, however, to remember you cannot be all one-sided. You cannot think only of the consumer. A satisfied consumer is one who has not only a good price but also an assured supply. If you do not have a pricing regime that will encourage investment and will encourage the producer to go out and find the supply, then you are not going to have a satisfied consumer.

Mr. Kerrio: That is what the feds were doing.

Mr. Rowan: I am not prepared to comment on what the federal government was doing.

Mr. Chairman: Thank you, Mr. Kerrio. Mr. Di Santo.

Mr. Di Santo: I would like to ask some general questions. I am sorry Mr. Duncan Allan is not here tonight. I would like to ask you if you agree with his assessment as reported in the *Globe and Mail* on December 31, 1983.

This article says, "With characteristic candour, he"—referring to Mr. Allan—"admitted he has yet to be persuaded that the government's \$650-million investment in Suncor Inc., for a 25 per cent interest in the oil company, was as good as it might have been.

"He said he thought the price should have been closer to Suncor's market value and the government should have moved only when it had a private partner committed, so that together they would have had majority control over the company.

"That way, he said, Suncor would have obtained maximum benefits under the Canadianization provisions of the national energy pro-

gram. 'The cash flow for it as a Canadianized operation would have been enormous.'"

Do you agree with Mr. Allan now after almost three years?

Mr. Rowan: I feel like Mr. Macaulay and his brother. There are lots of things on which I do not agree with Mr. Allan. I would suggest that you ask him what basis he had for making that comment.

Obviously, I do not agree with the quote as you have read it, but I would suggest that you pose him that question.

Mr. Di Santo: If you do not agree with him, then I deduce that you think the price was right but also that the fact you have only 25 per cent of the company makes you comfortable.

Mr. Rowan: First, as you know, the valuation of the company was undertaken by two companies, McLeod Young Weir Ltd. and Price Waterhouse. They did a very extensive review of the assets of Suncor and were satisfied that the price that was paid was in the range of value that under the circumstances they felt was appropriate.

I am not sure that Mr. Allan has made that same assessment, but I invite you to ask him.

With respect to your second question, does 25 per cent give us—I am paraphrasing now—a significant influence in the company? I think I answered that question last year and I gave you some examples of the kinds of influence that we have had, including the reference to the Sarnia hydrocracker.

I know that you have a different view about that. I am not quite sure what I can say tonight that would persuade you otherwise, but I am prepared to go through the chronology of how that decision was made and the sorts of involvement the Ontario Energy Corp. directors had on the Suncor board. I would be delighted to do that if you wish.

Mr. Di Santo: No, we do not need that. My point is that you had an option to buy 13 per cent, as you said, an opportunity to negotiate for that percentage that you are not exercising, if I am not wrong.

Mr. Rowan: I am glad that you qualified the word "option" because that is not the correct phrasing of our effort.

Mr. Di Santo: Okay, but you are not using that option. Let me use this word—

Mr. Rowan: It is not a matter of not using it. The timing of that decision is not now. It has to be made some time next year.

Mr. Di Santo: Some time next year?
10 p.m.

Mr. Rowan: In the early part of the year.

Mr. Di Santo: In a month's time, not next year—at the end of December or on January 1.

Mr. Rowan: No, December 23 is the anniversary date of the purchase—

Mr. Di Santo: Exactly.

Mr. Rowan:—but there is a time period after that when the decision might be made.

Mr. Di Santo: Yes, but the press says you have signified that you will not exercise that so-called option.

Mr. Rowan: I have made no comment in that regard.

Mr. Di Santo: The government has said that.

Mr. Stokes: Frank Miller.

Mr. Di Santo: I do not remember who said that, but it is in an editorial of the Ottawa Citizen. Actually, it was the Premier (Mr. Davis) who said, "The government has no plans to add to our involvement." Unless you are saying something different, I do not think that you are still considering whether to negotiate that further 13 per cent, and we have to accept that you are not going to buy further into the company.

Mr. Rowan: I never contradict the Premier.

Mr. Di Santo: Okay, good. If you are not contradicting the Premier, and since some Suncor officials said there are not too many investors interested in helping to Canadianize the company, which means that the company will still be 75 per cent American, can you tell us how and in what way you will reach the initial goal which was to help to Canadianize the oil industry?

Mr. Rowan: It seems to me you have jumped to a conclusion that is not based on the facts. It is a fact that the Sun Co. Inc. is endeavouring to sell, as they have committed to sell, at least an additional 26 per cent more shares of Suncor.

Mr. Di Santo: But no one is interested—

Mr. Rowan: They are endeavouring to find additional buyers and, as I said in answer to the same question last year when I was here, you do not sell an oil company, or any other company of that size, overnight.

It would be optimistic, to say the least, to expect that you would make an early sale, particularly in the economic climate we have just gone through and in the changed energy circumstances we have gone through. That is a far cry from saying there will be no possibility of

Canadianizing that company or any other Canadian company.

Mr. Di Santo: But what kind of public policy of a serious government is it that would rely on the possibility that a company will come up, when the climate has become favourable, to buy 26 per cent of the shares of Suncor?

Mr. Rowan: Let me suggest to you some benefits. I have already talked about the Sarnia hydrocracker. I have not mentioned, but I will mention, the very significant exploration effort that has been undertaken by Trillium Exploration Corp., a company that would not have been established if the 25 per cent purchase of Suncor had not been made. Trillium would not have been established. Trillium has had a very successful year.

Mr. Haggerty: In what area?

Mr. Rowan: In drilling for oil and gas in the frontier.

Mr. Di Santo: I am not talking about Trillium.

Mr. Rowan: I think you should talk about it, because the issue, sir, is Canada's energy security. That is the issue. We, as Canadians, should do whatever we can do to relieve ourselves of dependence upon foreign sources. We cannot afford to be complacent; we must do everything we can.

Mr. Di Santo: We agree with you.

Mr. Rowan: And the policy decision which was taken has borne great rewards for Ontario and the Canadian people generally.

Mr. Di Santo: We can agree with that goal. What we are saying is the tool you chose, the very expensive tool, is not adequate.

What was your influence when Suncor decided to repatriate from Canada the dividends they had not repatriated since 1919? What influence did you have last week when Suncor decided to go to the European market for Eurobonds? You know the Eurobonds market is not one of the most reputable in the world. What say did you have? You had no say.

These decisions are made in the United States and you are just a minor shareholder. If the company thinks it is in the interests of the American Sun Co. to invest in Canada, they do exactly what the other multinationals do, not because of Ontario.

Mr. Rowan: I am at a loss to know how to persuade you from the conclusions you have already drawn. The decisions of Suncor are not made in the United States, they are made here.

Mr. Di Santo: How many members do you have on the board of directors?

Mr. Rowan: How many members are there in total?

Mr. Di Santo: No, Canadian—

Mr. Rowan: Of the Ontario Energy Corp.? There are three.

Mr. Di Santo: Three out of?

Mr. Rowan: Out of 13.

Mr. Di Santo: Exactly.

Mr. Rowan: There are three Americans on the board. There are five independent Canadians.

Mr. Di Santo: Appointed by the Americans, not by Ontario.

Mr. Rowan: Not at all, sir. The selection process is one which involves a committee of the board and the board decides who will be appointed to replace any member who vacates his seat.

I am at a loss as to how to disabuse you of the notions you have. All I can try to do is persuade you our influence on the board is very significant.

I told you last year, I believe, the Sarnia hydrocracker would not have been built had it not been for the OEC representatives on the Suncor board. That resulted in an investment of around \$300 million. Over 90 per cent of the equipment and services the hydrocracker used were Canadian and most of the contracts were let right here in Ontario.

Ask Mr. Kerrio. A number of companies in his riding benefited from it. It was a decision taken at a time when the economy was down. There were over 1,000 construction jobs. There are 100 new jobs as a result of that refinery. There are 25,000 barrels a day less oil going through the refinery.

Mr. Di Santo: We heard all of this.

Mr. Rowan: I am glad you have because those are facts, and those are the economic and energy benefits that have resulted from this investment.

Mr. Di Santo: I do not want to prolong this discussion because, of course, we go nowhere. You want to convince us this is the only corporation in the world where a junior partner is a major influence. You are telling us it is because of Ontario that the selection of the board of directors now represents Canada overwhelmingly, even though the Americans have 75 per cent of the shares.

Do not tell me that this is a public relations operation. This is a corporation and we know very well what the rules are.

10:10 p.m.

Mr. Rowan: Did I ever tell you the story of the influence we had on the Syncrude venture? We were a five per cent owner in Syncrude. We were very instrumental in the structuring of that company.

You know the story of that investment. We invested slightly over \$100 million in the company and sold our investment for over \$160 million.

Mr. Di Santo: I know. This is the music we hear. The minister said exactly the same words, which means there is a meeting of ideas at that level.

Mr. Rowan: To me it is just an expression of reality.

Mr. Di Santo: I know that, but I do not want to talk about Syncrude.

Mr. Stokes: Now we want to know why you sold it.

Interjections.

Mr. Lupusella: Enough cheap shots.

Mr. Di Santo: I do not want to talk about Syncrude because someone would ask—

Mr. Chairman: Thank you, Mr. Di Santo. Mr. Haggerty, and if time, Mr. Stokes.

Mr. Haggerty: I want to ask Mr. Rowan a question. He is talking about the Trillium finds, I guess it is gas and oil in the frontier exploration area. I think the Ontario government has had an involvement in the polar gas project—right?—some \$14 million or \$16 million. What stage are we at, then? We have the Trillium finds up there, and we have an involvement in polar gas, when can we expect the construction of that pipeline?

Mr. Rowan: I have never been more optimistic than I am today about the development in the Mackenzie Delta and Beaufort Sea area, for both gas and oil. It is remarkable what has happened in the last few years with respect to the accumulation of both oil reserves and gas reserves in that area.

While the oil companies have great hopes of finding very large oil pools, that has not materialized. What has materialized—and it is very important—is a lot of smaller pools. When you find them reasonably close together, they are significant in themselves and get to a threshold level that can support a pipeline.

Trillium is associated with Esso in the Mackenzie Delta and Beaufort Sea area. We have a well drilling going on right now. In fact we have three wells drilling. One of the wells is a delineation well on the ADGO structure, which

is Esso's anchor, if you will, for oil development.

Esso is a very conservative company in that they do not advertise their intentions unless they are terribly sure of what it is they feel they are capable of doing. This year, for the first time, they have been making statements, whether from the chairman or from senior representatives of their exploration company, which suggest they are very close to the threshold reserves in the Mackenzie Delta-Beaufort Sea area, and they would expect to extend the pipeline now being built from Zama in northern Alberta to Norman Wells. That pipeline is approved. It is close to being finished. The next leg, of about 425 miles, from Norman Wells to the delta, is very imminent.

The recent discovery by Gulf, east of Amauligak, is further support to the notion that we are getting close to threshold levels.

Mr. Haggerty: When can we expect some benefit for the consumer and the taxpayer of Ontario? This has been on the drawing board for what, 10 or 15 years?

If I look at the present agreement, I guess it is, that has permitted the export of natural gas to the American side through the western pipeline, whatever it may be, in the British Columbia area. What you are trying to tell me is that pipeline is almost completed and will tap into that larger pipeline. So we are going to see the export of cheap energy to the United States and the poor consumer here, who is paying some of that shot, will not be receiving that benefit.

Mr. Rowan: I am not saying that at all, sir. What I am telling you is that the energy in the frontier, in the Mackenzie River delta area, is getting to the level where it is becoming economic to exploit. The polar gas project is benefiting from the work which Esso and other companies are doing. Getting the environmental approvals, getting the pipeline right of way, getting all the communities in that area to become supportive of these developments has been an enormous job.

As you may know, the polar gas project has filed with the National Energy Board. They did that in June of this year. As Mr. Stokes has indicated, the hope is that the pipeline will be built so that gas will be available to market in the early 1990s.

Mr. Kerrio: Do you plan on putting that pipeline in Ontario?

Mr. Rowan: I am saying this just so you know there has been very significant work done by polar gas and by the other companies with regard

to Canadian content and the economic benefits that will accrue to all Canadians but, because of our manufacturing capability, to Ontario.

For example, let us just take the pipeline. The Ontario content is 71 per cent. If you take the compressor stations, it is 39 per cent; construction equipment, 29 per cent; construction labour—labour, even—17 per cent.

Mr. Haggerty: How many man-hours are you talking about? How many years of construction?

Mr. Rowan: In total, in direct and indirect construction man-years, between 80,000 and 100,000 man-years.

Mr. Haggerty: How many years to complete that project, then?

Mr. Rowan: About five.

Mr. Haggerty: Five years? The committee of the Senate has reviewed this and I think they have indicated that the government should be moving now to get this pipeline down to the areas that require the natural gas such as, I think it was, Schreiber. They were talking about bringing the pipeline down on the west side of Hudson Bay or something.

Mr. Stokes: No, not any more.

Mr. Haggerty: I have not seen the latest report. There has just been a new one.

Interjections.

Mr. Stokes: Not on your life. That is my first question.

Mr. Haggerty: I was right, then. It is all going to the States. There will be no benefit to the people of Ontario.

I am surprised we are not moving in this area. If we want to be competitive we will have to have affordable energy. When you are spending money in this area, I think Ontario should be first on the list.

Mr. Rowan: It is going to benefit. It is going to assure natural gas supply for Ontario—

Mr. Haggerty: At what cost, though?

Mr. Rowan:—at a very competitive cost. You will not be able to get it cheaper anywhere.

Mr. Haggerty: Meanwhile, we are exporting everything we can to the States. That means it could be a long way off yet, because they will be draining the other reserves out there. There will be no benefit to Ontario. The only one who is really making money out of this thing right now is TransCanada PipeLines, and they are doing very well.

Mr. Stokes: What was the determining factor causing the polar gas project to withdraw its

application from the National Energy Board and deciding to go down the Mackenzie Delta to hook up with Norman Wells and then on to the Alberta grid? What caused you to change your mind, rather than intercepting TransCanada, via the Northwest Territories, the west side of Hudson Bay and down into Longlac?

10:20 p.m.

Mr. Rowan: I think the most important factor was cost. It was cheaper to get the gas to market by going down the Mackenzie Valley, because the line you had to build was significantly shorter and the terrain over which you had you to construct it was much more hospitable, easier and therefore cheaper when it came to constructing the pipeline.

Mr. Stokes: You got into it for two reasons: one for price and one for security of supply. What assurance have you there will be sufficient coming out of either the existing pipeline by twinning or looping to satisfy what we hope will be the expanding and continuing need in Ontario?

A lot of people in Ontario are hooked up to the grid now, or it is to be hoped will be in the not-too-distant future, because this ministry talks about going off oil and other alternatives. This is why I became so irate with Mr. Macaulay. Up there, we do not have any alternative. You are either a captive of an oil company or a captive of Ontario Hydro. It is a different ball game up there.

I am asking what assurance you have, with our participation, in the polar gas project—I was all

for it and I still am; however, I still want to be assured that our activity there will benefit the people in southern Ontario and Ontario generally with regard to price and assured supply.

Mr. Chairman: Quickly if you can, Mr. Rowan, because we do not have much time.

Mr. Rowan: In terms of supply, the best assurance you can hope for, and I think you should be reassured because of it, is the National Energy Board—and, more particularly, the representations by the Ministry of Energy and the vigilance of the Ministry of Energy with respect to all hearings before the National Energy Board—will see to it the rules are not changed.

Canadians are short-changed by the fact that there are insufficient supplies well into the future. I think you can be reassured by the fact that there is a National Energy Board which is a very conscientious body and there is a Ministry of Energy which is very vigilant and appears actively before that board.

Mr. Stokes: Mr. Chairman, is Mr. Rowan going to be back tomorrow?

Mr. Chairman: No. We are scheduled to have Ontario Hydro here, both tomorrow and Thursday evening.

Mr. Stokes: I will have to speak to him privately then.

Mr. Chairman: It looks like it. You have a lot of private meetings on the go. The meeting is adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 10:23 p.m.

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Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of Energy

Fourth Session, 32nd Parliament
Wednesday, November 7, 1984



Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, November 7, 1984

The committee met at 10:10 a.m. in room 151.

ESTIMATES, MINISTRY OF ENERGY (continued)

Mr. Chairman: We now have a quorum in the room as long as nobody leaves before we can get the meeting under way. I call the meeting to order.

On behalf of the committee, I would like to welcome representatives from Ontario Hydro. We have today and tomorrow evening to complete our estimates. Those two time slots have been set aside for presentations from Ontario Hydro. Perhaps committee members may have one or two questions to ask of the witnesses here in front of us.

Hon. Mr. Andrewes: You look so forlorn, Mr. Reed.

Mr. Watson: What a look.

Mr. Chairman: I understand Mr. Nastich and Mr. Campbell—where has Mr. Campbell gone?

Mr. Nastich: Mr. Campbell had an emergency.

Mr. Chairman: Do you have an opening statement to make?

Mr. Nastich: Mr. Campbell has an opening statement and mine follows along. Rather than have act 2 ahead of act 1, maybe we should wait.

Mr. Chairman: It might be appropriate to go the other way around.

Mr. Nastich: You always know if a play is at act 3. Act 1 is a strong act, act 2 is fairly weak and act 3 is a real smasher. I am in the weak act.

Mr. Reed: You have to dazzle them with your first number and move up from there.

Hon. Mr. Andrewes: He is a showman from way back.

Mr. Watson: We do not mind the acts, it is the commercials they play in between that get to us.

Mr. Reed: Keep your eyes open for my conflict of interest. Hydro wanted me to do an ad a couple of weeks ago—

Mr. Watson: In French?

Mr. Reed: I had to turn them down.

Mr. Watson: In French?

Mr. Reed: I thought these fellows would steal it.

Mr. Chairman: Mr. Campbell, I understand, once you get organized, you have an opening statement for the committee. We will welcome that as soon as you are ready.

Mr. Campbell: Mr. Chairman and committee members, I am very pleased to have another opportunity this year to appear before a committee of the Legislature to share views and information related to Ontario Hydro.

Initially, it would be useful to talk for a few minutes about the direction I see the corporation taking over the next few years. Mr. Nastich will then have more remarks.

Also, Mr. Chairman, with your agreement, we have a brief audio-visual presentation of our progress in replacing the pressure tubes in Pickering units 1 and 2, if the committee would be interested.

Our future direction is based on three principles. First, Ontario needs to retain the highest possible level of energy self-sufficiency. Second, electricity is a vital component of Ontario's position as Canada's industrial heartland. Three, maintaining that position is dependent to a great degree on ensuring long-term reliability of electricity supply and stable electricity prices.

These principles do not diverge greatly from the original mandate of the utility as set out in 1906, which was to provide power at cost. This injunction has remained relatively constant throughout the social and economic changes that have occurred in the province since then.

The economic upheaval around the world in the last 10 years, however, with its effects on the structure of energy supplies, demand and pricing, indicates that while we will have to meet the same mandate, our methods will be substantially different from those in the past.

For much of Ontario's Hydro's existence, it has faced a seven per cent annual load growth. This was over 50 years. It is amazing to us now, but that included, even during the Great Depression in the 1930s, load growth at a seven per cent compounded annual rate. This meant that the corporation was constantly in a process of construction and expansion. It had to be to keep up the supply, or we faced the prospects of running short of power.

Stability of both supply and price was provided through a rigid commitment to meeting that load growth. In the future of power—this is where we are reassessing our situation—Hydro's strategy will be based, not on a rigid commitment to expansion but on having the flexibility to adjust to rapidly changing economic circumstances and the ability to meet a wide range of demand with the resources at hand.

Today we find ourselves in the position of having perhaps the most balanced and diversified electrical system in the country. Approximately one third of our power is supplied by hydraulic generation. The other two thirds are supplied about equally by nuclear-fuel and coal-fuel generation. Even with the addition of the new nuclear plants currently under construction, Ontario will still have the most diversified electrical system in Canada.

As a result, our rates have remained extremely low by world standards. For example, industries in Detroit and Chicago pay twice as much for electricity as those in Ontario. In New York, industrial rates are three times as high as in Ontario. In Canada, only three provinces have lower rates. These are provinces which still have almost total hydraulic generation. We wish we were in that fortunate position, but we are no longer there.

When Hydro's present construction program is complete—and our schedule now is 1992—Ontario will have achieved virtual independence for its electricity supply from the vagaries of world fossil-fuel markets. I think we have to emphasize that this is not a mean achievement for a province that is heavily industrialized, located in a cold climate and without its own oil, gas or coal market. Yet, we will have achieved virtual electricity independence.

This independence will be based on our own indigenous resources, which are virtually inexhaustible. It is a pretty solid position to be in. We are not subject to embargo by forces outside our control and that will enable us to greatly decrease environmental emissions caused by burning fossil fuels.

The present experience demonstrates that these facilities, when complete, will save Ontario \$1 billion per year over the alternative costs for coal. One billion dollars every year. That means \$1 billion less taken out of the Ontario economy. That means \$1 billion more circulating in the Ontario economy for purposes of investment and job creation, a tremendous economic boost.

The facilities will also prevent the emission of 1.5 million tonnes per year of acid gas into the atmosphere. The fact that the indigenous resources mentioned, namely water and uranium, also have the lowest fuel costs by far, will mean that our rates in the future will remain stable. We project no real net increase in rates during this decade. When I say real, that means adjusting for inflation. In fact we will have declining rates relative to inflation after this decade as a result of our present investment.

Our rates in the future will decline even more dramatically in comparison to neighbouring jurisdictions in the northern United States, which continue to depend heavily on fossil fuels. This will give our industries a continued and improving competitive edge. Our hydro rates will therefore be, as they have been from the beginning, an economic ace card in encouraging growth and jobs in Ontario.

10:20 a.m.

For planning purposes, Ontario Hydro recently revised its long-term annual load growth forecast from 2.4 to 2.5 per cent. I will explain why in a minute. Even this forecast may prove to be low, if recent statistics are an indication of the trend.

In 1983, the primary energy demand rose 5.2 per cent. Preliminary figures to the end of August this year suggest an increase in the order of 7.8 per cent growth.

I am not suggesting we are going back to the years of compounded seven per cent growth over a long period of time. A lot of this growth in the last two years has been the economic recovery, which has been good news from a job point of view in Ontario. It starts changing the scope of our demand first.

If growth rates like this are sustained, additions to our existing generating capacity and new capacity now under construction would have to be considered. There is a distinct possibility of further world energy supply problems and economic uncertainties. Therefore, as a responsible public organization, we are required to assess the future generation requirement very carefully.

A longer term view and the various scenarios associated with it suggest we must remain flexible enough to meet potential fluctuations in demand that cannot now be foreseen. Such factors associated with the larger energy scene combined with the normal domestic Ontario load growth will require the corporation in the very near future to consider the options available for future sources of electric power for Ontario.

I have asked for a review of all the supply options. This includes traditional sources, like nuclear and coal-burning plants. It also includes small hydraulic plants, cogeneration, conservation, purchased power from other jurisdictions, as well as the so-called soft options such as biomass, solar and wind power. We have one proposed project right now—the biomass theory. There is a plant that wants to locate at Chapleau to burn sawdust and produce power, which we will buy from them. We are working on that right now. We are hoping to have a successful conclusion to those negotiations.

I have also asked for a review of the policies that affect both demand and supply. Perhaps because of my background in northern Ontario, I am personally very interested in small hydraulic facilities—

Mr. Stokes: That is what we are counting on.

Mr. Campbell: —cogeneration and the use of alternative energy sources. Notice the first project I mentioned was Chapleau.

I am aware that there is very great interest within the corporation in new fossil-fuel combustion technology which is environmentally vastly superior to existing combustion technologies and which could be applied in the generation of electricity. In other words, we are finding new ways to burn coal much cleaner, much more efficiently.

Ontario Hydro has a worldwide reputation as a leader in developing new technology and providing reliable service and doing so at rates that are competitive with any in the world. In my view, our greatest asset is not our physical facility but rather our dedicated and expert staff, because they are the ones who have kept Ontario Hydro at the leading edge both in technology and service to the public. This is a reputation we value highly and I, for one, am certainly determined to maintain.

In my view, the people of Ontario are our shareholders. As such, they are vital participants in determining the direction we should go and the goals we are to achieve. As chairman, I want to ensure that the Ontario public is appropriately involved in our decision-making process.

Our own goal is to ensure that Hydro maintains an open-minded approach to solving problems, receiving new ideas and implementing new technology while continuing its dedication to providing a high level of service and reliability. I am convinced that even through the changing economic circumstances we will encounter, Ontario Hydro will continue to serve the people of Ontario well and make a major contribution as

one of the province's principal engines of economic growth and job creation. Thank you.

Now Milan has a few follow-up comments.

Mr. Nastich: Mr. Chairman, I have just a few short remarks. Tom Campbell has outlined the environment that Hydro is operating in and showed the direction in which we are going to go in the years ahead. I would like to focus on some of the specific things we are trying to do to adapt to that environment.

At the beginning of the 1980s, we were constructing three major generating stations and beginning the lengthy process of designing siting and constructing major transmission systems. We were attempting to do this during one of the worst recessionary periods since the war.

One fact the oil shocks of 1973 and 1979 showed was the change in the nature and magnitude of economic growth of industrial nations. The legacy of these oil shocks is really economic conditions which are subject to rapid and wide fluctuations.

These conditions are really at odds with the historical nature of the utility business, which is characterized by capital-intensive projects, long lead times and much longer service lives. The task facing all utilities in the United States and Canada—and indeed, worldwide—is to find ways of increasing our flexibility to meet a range of widely varying economic conditions, not just the most probable economic conditions, but a wide spectrum of possible economic conditions.

For us, this means we have to focus more directly on the demand side of our business where lead times are shorter and projects much less capital-intensive. We can do that because we are putting the finishing touches on a power system that should meet Ontario's needs for power for the balance of this century.

With the completion of Darlington, the basic foundation of our supply system is in place. That allows us to turn our attention to customer demand to find out how customer energy needs can best be served by this power system.

That does not mean we are not going to be building at all in the future, but it means we will not be building on the same scale as in the past. Here again, our approach to supply has to be more flexible. Tom Campbell has indicated that we will be considering options other than large, multi-unit, nuclear stations, although they really are the most economic source of power available to us. They are large, high in capital cost and have long lead times, so that is not as flexible an option as one could find.

We will be looking at the options Mr. Campbell talked about, such as refurbishing older coal units to make them environmentally acceptable, developing some of the more economic small-scale hydraulic sites in the north, importing more hydraulic power from Quebec and Manitoba, and constructing smaller nuclear plants.

Those are not all "ands"; they are "eithers" and "ors" and a mix. We are going to look at whatever options we have and we are going to pick the ones that look cheapest, shortest and most flexible.

The real thrust of our strategy is on the demand side of our business and, rather than simply building to meet demand, we are going to look at ways to manage that demand by working more closely with our customers. Our primary focus is to respond to changes in customer demand for electricity in both the amount and the consumption pattern, so the customers maximize their benefit.

Load management, cogeneration, incentive rate classes for industry, conservation, dual-energy programs, time-of-use rates are all options we can exercise in response to changing demand patterns. We now have two new classes of power that allow industrial customers to take advantage of lower-priced, off-peak power. Our dual-energy program allows customers to use electricity along with other energy sources to get the best combination of the advantages of both. By making electricity a more convenient and attractive energy option, we are also helping our customers to reduce their dependence on oil, a goal of both provincial and federal energy policies.

Our overall goal is a more effective, more responsive and more customer-oriented Hydro. Greater flexibility will allow our customers to make more efficient use of the power system and that, ultimately, means power consumers in Ontario will continue to enjoy reliable power at low rates over the longer term.

Those really are the two criteria the people of Ontario look for: reliable electricity and low price. That is the best test of any successful enterprise: to meet the market's demand for a good product at a reasonable price. Our rates are among the lowest in the world. We have a well-earned reputation for reliability and we have always managed to keep in tune with demand for electricity in almost 80 years of existence.

Mr. Reed: Mr. Chairman, I am flattered and frightened all at the same time after hearing the opening statement of Mr. Campbell. When I hear

the buzzwords of cogeneration, small hydraulic, power purchase, soft options and more flexibility in the system, it seems that our old Hansards from the select committee days have not gone unheeded. In that sense I am flattered.

However, I am frightened in the sense that if the exploration of these options by Ontario Hydro follows the pattern it has in the past, it is like turning the fox loose in the chicken coop. We went through this on the select committee. We found out that when the utility was given a mandate to study the effects of solar power, the parameters that were set out to make the study were parameters to demonstrate that it was not good for the utility to use solar-assisted water heating.

10:30 a.m.

When we talked about small hydraulic installations, the utility, through its design chief, quickly fell back on the cost of small hydraulic as it was viewed through some experimental installations that have no bearing whatsoever on the economics of small hydraulic generation.

I suppose the message I am trying to share with you is that, for heaven's sake, I hope this statement "flexibility" really means something, because to this point I have not been convinced and it has never been demonstrated that Hydro is flexible at all.

Hydro has looked at some of these options and has talked about some of these options. Certainly my correspondence, my semi-annual campaign with Mr. Nastich to get sensible buy-back rates into this system, would indicate to me that, while the flowers and the borders are there on the frame, there is no picture in the centre. That is of some deep concern.

In Mr. Campbell's opening statement he did happen to mention, for instance, that we unfortunately were no longer in a hydraulic position in Ontario. I am perhaps paraphrasing the opening statement. The fact really remains that if we are flexible enough to look at the options that are available hydraulically, we are in a hydraulic position, in spite of the fact that from Ontario Hydro's point of view, where it costs \$100 to change a light bulb, obviously you are not. Your lead times, your decision-making process, the whole thing is geared to the mega-idea.

I laud the thought that one might look at something a little more flexible, a little simpler and so on, and I would be the first person to applaud you if you could do it. But it seems to me that in many of these cases where smaller unit increments may become the order of the day and

where the lead times should necessarily be as short as possible, where the decision-making process should be, instead of Hydro's two-year study period, the private-enterprise, let's-get-an-early-start-in-the-morning point of view, one of the things you have to consider most seriously is this business of buy-back rates and what you are prepared to pay the private entrepreneur for committing power to the system.

I think your rate right now is 1.9 cents for dumped power. If we compare that to the cost of generating out of Bruce B right now at 4.5 cents and the projected cost of Darlington at 7.5 cents, it does not make a great deal of sense. That is the problem, and that is one of the basic reasons we have such a slow, awkward start in the business of developing the remaining hydraulic potential in Ontario, which amounts in developable power to perhaps about 7,000 megawatts.

Milan says no. One of the authors of a recent book said there were 14,000; I did not agree with him. As a matter of fact, I took the Larry Higgins approach; I cut it in half because it was halfway between zero and 14,000. But the fact is that there is a significant amount of hydraulic power if it can be dealt with from an economic base.

Unless Hydro can really alter its method of operation, the economic base dictates that entrepreneurial generation has a real role to play in the future of this electric power utility, but it will not have a role to play until Ontario Hydro is prepared to pay something akin to the marginal cost of production.

To average out what you are going to pay—and I know the party line—you realize that what you are including in it is the hydraulic system, which was written off years ago. It is strictly an operations and maintenance job. When you are capitalizing new hydraulic development you know it is all capital; that is really what it is.

The maintenance costs on hydraulic, the operating costs of hydraulic, are really low. You even cost the operation of those small plants in central Ontario at 2.5 cents a kilowatt or something, which is less than you are paying the private guys. Your friend down in Galetta, who is operating a private plant now because he was able to purchase it from you, has to be able to turn out that power at a profit for less than that, otherwise it does not pay him to be in business.

I do not know how to plead with you. I have been at this for nine years now. If you are going to be flexible and if you are going to accept private generation in the system, you have to be prepared to pay for it at a cost which is something

close to what it is going to cost you to produce it yourself. It does not have to be at that rate.

If you give me a four-cent reward, or a three-and-a-half-cent reward today, I will put in a bunch of hydraulic plants. I will have them on line an awful lot faster than Darlington.

Mr. Nastich: Someone else would be paying for it and putting it in your pocket.

Mr. Reed: Sure, but if I can do it cheaper than you, it is of benefit to all the citizens of Ontario. If I can put in a megawatt and a half of hydraulic power at half the cost you can put it in for, and if I can sell it to you for less than it is going to cost you to get it on line, then it seems to me the citizens of Ontario are the beneficiaries.

Mr. Campbell: I do not think there is disagreement with that principle, at least none I can find. I think the differences are honest ones over time.

For example, the argument is that at the present time, if we have a surplus capacity, then anything more we pay is going to add to the customer's cost. With our system of power cost, it means the customer has to pay more.

However, I think you are absolutely right. It is recognized—

Mr. Stokes: The concept is right; the timing is wrong.

Mr. Campbell: No. When we are looking at new capacity in the future, I think all those arguments made by Mr. Reed make absolute sense. We have to look at that. I think we also recognize—and we have been discussing this—the need to have some policies in advance.

In other words, you cannot wait until you need the power and then bring in a policy and do it overnight. You may have to have some lead time there to encourage the kind of people about whom Mr. Reed was talking.

Therefore, I do not think we disagree in principle; it is a question of when we can phase this in to meet the needs of our—

Mr. Di Santo: That was the case before Darlington which Ontario Hydro refused to consider.

Mr. Reed: I suppose the frustrating part for someone like me is that we were talking about this before Darlington was committed. All these possibilities existed then, as they exist today. We also talked about the advantage to Hydro of taking the capital need out of Hydro's hands and having the entrepreneur do it. If the entrepreneur does it, the million dollars he spends is a million dollars less that Hydro has to borrow, further jeopardizing the provincial credit rating.

There are all sorts of connections. I do not want to dwell entirely on the buy-back thing, but the other thing that may be considered—and I suggest to the Minister of Energy (Mr. Andrewes) that he hear this in some detail—is that municipalities across Ontario at the present time are facing a garbage crisis. They are really in desperate straits. Right now, the region of Peel is proposing to put in a garbage dump within a mile of my farm, as a matter of fact.

The region of Halton has been wrestling with the location of a garbage dump for seven years. Halton has done some detailed studying on cogeneration, which is garbage incineration for the generation of electricity. Because you fellows will not pay enough for the power, it does not pay them to underwrite the high front-end costs to get that stuff on line.

I want the minister to be aware of this, because it may not be within the purview of Ontario Hydro to buy the utility. I have been told this before. It is not in the business of social development and in a sense, this is a social development decision.

10:40 a.m.

If the Ministry of Energy was doing its job and was prepared to come in between, and if Ontario Hydro was paying a buy-back rate that had some common sense to it, the problem of municipal waste in Ontario would be drastically reduced. We have been told that the studies show you can reduce the volume of municipal garbage through straight, wall-to-wall incineration by 65 per cent and change the nature of what you put into the ground. You render it an entirely different kind of refuse or residue. There are tremendous options and opportunities.

In spite of the fact that it is a corporation and is separate, Hydro will have to participate in this as the years go by and it will have to decide to participate in it quickly. Especially in the megalopolis area of Hamilton-Toronto and that sort of thing, we are approaching a crisis situation with waste, waste that should be regarded as a national resource, not as something for which we have to find a hole in the ground to put it in.

Mr. Niitenberg: Could I raise a question about the parallel generation rates? There is one thing that has to be differentiated if you talk about rates.

Do you know the value of parallel generation? The chairman made a point about the value of it in the future and whatever lead time we need. Surely you are not suggesting we buy generation today from parallel producers, private entre-

preneurs, and pay more for it than we are selling the product for and let them use our transmission distribution facilities. I presume that is not it.

Mr. Reed: No. I am suggesting that Darlington is going to come on line at 7.5 cents according to—

Mr. Niitenberg: Darlington is coming on line in 1992.

Mr. Reed: All right. Bruce B is on line at 4.5 cents now. I am suggesting that what you are proposing to pay for that dumped power, if you like, is not realistic.

Mr. Niitenberg: Conceptually, you sell at average production cost. We have plants that produce at a much higher cost than Bruce B. The customer still pays an average cost for that. Therefore, it is not unreasonable that any buy-back would be below the cost at which we are selling it to the customer.

Mr. Reed: I am not pretending you should pay more.

Mr. Niitenberg: We are selling it at less than four cents.

Mr. Reed: I am suggesting to you that it should be in concert with your own costs of new generation. What we are doing with private generation is replacing the need for capital. We are taking that out of your hands, so you do not have that pressure on you in terms of rates. Then it is up to the private entrepreneur to make whatever capital funding decisions he can.

However, if we do not bring that on line, you have to bring it on line anyway. Consequently, it follows that if it can come in somewhere in the neighbourhood of what your costs are when you are offering a buy-back rate, it makes some sense.

Mr. Campbell: Mr. Reed, I think the escalating cost of fuel in the next few years is probably going to make a lot of these projects much more economically viable. We are certainly interested in that. We are talking to people in Halton and Toronto about doing exactly the kind of thing you are talking about. I think we are going to see it in the future.

One concern I have is the environmental issue. They are burning a lot of garbage in Europe. One facility I saw indicated that, strange as it may seem—it is not so strange when you really think about it—European garbage is different from Canadian garbage. There is a significant difference.

Mr. Reed: There is probably less of it.

Mr. Campbell: They do not use throwaway plastic containers there. As much as a third of our

garbage is various forms of plastic. When it burns, it releases all sorts of chemicals into the air.

Pollution Probe has taken the stand that we should not proceed with any garbage burning until those problems are solved. We are talking about polychlorinated biphenyls and all sorts of things being released.

While I am sympathetic with the approach, I think we have to be quite careful.

Mr. Reed: Two things are given here. First, you know everything man does on earth has an environmental impact. I would weigh the environmental impact of contaminating 1,000 acres of land for the next century—which is what we do when we put municipal garbage into the ground; we cannot grow anything on it, feed cattle with the product, or do anything with it—vis-à-vis state-of-the-art incineration equipment where technology is now available to trap and hold emissions.

We knew how to trap emissions years ago. American Cyanamid was making fertilizer out of emissions from smelters at Dofasco in Hamilton 25 or 30 years ago. I toured the plant. They shut it down afterwards because it was worn out. They did not recapitalize because it was too costly.

Mr. Nastich: They were not getting a high enough price for it.

Mr. J. A. Reed: That is right. It was cheaper to make the fertilizer with electricity at that time.

Mr. Niitenberg: Mr. Reed, could I come back to one point which I think is unfair to leave on the record? It is that we are not interested in solid refuse for fuel. Hydro has been looking at it and participating in these undertakings.

I was station manager at Lakeview generating station in 1974 when the watts from waste project was the thing. Ontario Hydro had agreed to buy prepared refuse from whomever supplied it at the equivalent cost of coal, which was a fairly reasonable position to take. We made modifications to a boiler during the summer to be able to use the garbage, but the economics were just not there.

In 1975, when I looked after the thermal area, we had to decide what to do with the J. Clark Keith generating station. We approached the city of Windsor and said we could possibly make modifications. They were not interested because it was dirt cheap to find a landfill site and a dump. Since 1980, we have been involved with Hearn.

Mr. Campbell: I should mention, regarding the watts from waste project, we had put in modifications at the Lakeview plant to burn the

stuff. One of the hurdles that foundered on—and I live in Etobicoke; I was not part of it, but some of my neighbours were—was some people got very upset at the idea of all those garbage trucks going down to Lakeview generating station. Either they had to run 24 hours a day, or they had to store the stuff. The public in the area was not going to have it.

I am saying we are interested in doing this if it can be done and if we can get the acceptance of the community.

Mr. Reed: What you have done is reinforced my argument that municipalities should be able to do something with their garbage other than put it in holes in the ground. They should be able to sell byproduct, such as electricity, to Ontario Hydro at a price which will help offset the capital cost of that operation. Naturally, part of the cost is offset by the normal landfill charge.

Mr. Campbell: Tipping charges.

Mr. Reed: Those costs are all brought in.

We are not suggesting Ontario Hydro should get into the garbage-burning business at all. I am returning to my buy-back proposal. If the buy-back is there, then logically municipalities will be able to clear the grand hurdle, make the quantum leap, from the town dump to utilization.
10:50 a.m.

Mr. Niitenberg: However, to date, the buy-back has to be less than what we are selling for in the same community. Otherwise it just does not make economic sense.

Mr. Reed: That is all right, but I am suggesting to you that 1.9 cents, which is what the base is now, does not allow very many facilities to come on line.

Mr. Niitenberg: I think your number is not quite accurate.

Mr. Reed: That was the price in the spring. I do not know whether you have raised it.

Mr. Niitenberg: Even in the spring, we were paying 2.4 cents if you could give us a reasonably steady supply of electricity. It was 1.9 cents if you were generating and we had to take it whether we wanted it or not.

Mr. Reed: That is right. The 1.9 cents was for dumped power, and the 2.4 cents was for committed power; it represents an award for the installed capacity, which the 1.9 cents does not represent.

Mr. Niitenberg: That is right.

Mr. Reed: Okay. Let us deal with the 2.4; I do not care.

Mr. Niitenberg: A refuse plant would have an installed capacity which could be counted in.

Mr. Campbell: Anyway, we are also re-examining those rates at the present time.

Mr. Reed: I appreciate that.

Mr. Nastich: Mr. Reed, could I respond just on your hydraulic issue? I am going to deal with this philosophically.

If Hydro could get hydraulic electricity generation at a cheaper rate than any other option, there really is no incentive for us not to do that. You talk about thousands of megawatts of hydraulic electricity. Let us look at the extreme north.

There are 3,846 megawatts of capacity available at sites larger than 10 megawatts. The average is 1,264 megawatts, which means you have a capacity factor of 33 per cent. Now, let us take that as an example; you used it in your analysis. Many of those sites, as Mr. Stokes knows, are very much in the remote country. How are you going to get them to the load? The load is not up north, it is down south.

Can you foresee the costs of transmission to gather hundreds of 10-megawatt and 12-megawatt sites up north—you have been up there and you know how long it takes to fly there—into a transmission line and then pump that down to the south?

You can do it, but it costs money. Whether we do it or a private entrepreneur does it, it is capital taken out of the economy of this province; whether we borrow the money or a private enterprise borrows the money, it is out of a pool of savings.

For us to say we are going to spend money to build sites with a capacity factor of 33 per cent, up in places that are scattered all over the country, then funnel them in and bring them down, does not make economic sense for the province today or in the future.

What you have to look at are sites that have some semblance of having enough generation capacity that you can gather it together and distribute it. We did that at Little Jackfish.

Little Jackfish is up on the Nipigon, and we did a serious environmental economic study. If we build that plant—and I have the figures here—the capital cost is \$6,000 a kilowatt. That is in 1995 dollars. That compares to \$3,100 for nuclear. It will pay relative to nuclear, but over 50 years.

The environmental impacts of that are yet to be solved with respect to the public up there. The Indians have already told us, "You are not going to do much up there, Mr. Hydro, until our land claim is settled." That has taken a year.

It is a plant that is economic over a very long run, and it is much more capital-intensive.

Hydraulic generation is an option we would like to use. I would dearly love to build smaller hydraulic stations, because they save us money, they are much more flexible, and they have a longer lead time, an almost infinite lead time.

To say Hydro is not doing it because of some motivation is something I cannot accept. I do not get any kudos for building large stations. I get kudos for reliable power at the lowest possible cost. When you look at this hydraulic thing, for just straight scholarly reasons, it is important to separate out what is available, what is reasonable and what is not.

Mr. Stokes: Let me ask a supplementary. Ontario Hydro did a study to identify 14,000 megawatts of power from small and medium-sized hydraulic generating sites. You have identified 3,300 or 3,700. Where is the balance?

Mr. Nastich: There is a further 2,256 megawatts in the southern James Bay area with an average capacity factor of 32 per cent. Then there are, spread all over from east to west in the remainder of the province, 2,543 megawatts, peak, with an average capacity of 24 per cent.

These plants cannot produce power all the time. On average, in the remainder it is one quarter of the time, in southern James Bay it is one third of the time, and in the extreme north it is one third. Little Jackfish is half the time, 50 per cent. You have to put up 132 megawatts of generating capacity to get an average of 66, which is one reason the capital cost is so high. It is an energy problem.

Mr. Reed: I can accept your arguments in so far as Ontario Hydro is concerned. I cannot accept your arguments in so far as entrepreneurial development is concerned. You threw in a cost factor, the Little Jackfish projection of \$6,000 a kilowatt. That is Ontario Hydro's projected cost; it is not Norval Light, Power and Land Co.'s projected cost.

The suggestion that the figure you arrived at from your utility's approach to that project is the figure that private enterprise will have to adhere to in order to do it is really not on. It never was, especially with the smaller type of projects. That is generally accepted.

I said earlier that it probably costs \$100 to change a light bulb. Maybe it does not cost \$100, but the fact is that your utility has been geared to the large-scale development, the large-scale decision-making process and so on. Those processes are in place and they are applied in the

same manner to a small project. That is part of that \$6,000.

Mr. Nastich: I think you have to distinguish between a plant of 132,000 kilowatts capacity, such as Jackfish, and an 8,000-kilowatt plant you might see on a small site. There is no evidence that I know of that anybody can build hydraulic stations cheaper than we can. If you can find it, I would like to see it. We have a history in hydraulic which is very good. If you can get Norval to do it, I would like to see it. We put these things out for them to build. We have not found that private enterprise really does, in general, a better job than we do.

Mr. Reed: I am not saying they do a better job. It is probably a cheaper job.

Mr. Nastich: Nowadays we do not do so much on specifications as we used to. It is much more that the public demands what we have to do, so the specifications we have to build in our plants come out of hearings. The decision-making in nuclear is the Atomic Energy Control Board, on the dams it is defined by various public agencies.

Mr. Reed: I think you would have to accept that the Galetta plant, which is now in private hands and is operating successfully—

Mr. Nastich: That is an example of Hydro policy.

Mr. Reed: We got the inertia beat on that a little bit. The fact is that Hydro shut that plant down because it could not justify the refurbishing, but a private entrepreneur has gone in, and even at 1.9 cents plus the committed award, is doing it at a profit.

Mr. Nastich: Right, and we have a policy where everything under 2,000 megawatts is available to private entrepreneurs.

Mr. Campbell: Right now we have the Ragged Chutes facility up in northeastern Ontario available for Norval Light and Power, or whoever.

Mr. Reed: Thanks for the offer.

11 a.m.

Mr. Nastich: The issue I want to make with you is not the thrust of your strategy, because I agree with it. The extension that we can be more flexible and make use of indigenous resources is right. What I want to put on record is that to use these huge figures for kilowatts as if they are immediately available tends to give people the wrong impression about the potential.

I really believe that if one was to say there are 4,000 megawatts up north that are available for

economic development today or in the next 10 years, that is not doing a service to the people of Ontario because it is not readily available. It is in small sites spread all over with enormous transmission costs.

Mr. Reed: If you will offer a value for the power that comes within some range of your marginal costs, you will find that there will be far more pressure on this government, the Ministry of Natural Resources and the Ministry of Energy to remove the remaining obstacles to generation of renewable energy.

I do not want to spend all my time, and I have used up an awful lot right now—

Mr. Campbell: If I could just make one further comment on that, as you know, I used to be Deputy Minister of Northern Affairs—Mr. Stokes knows. I have walked around most of the sites in the north and flown over them and so forth. We have put in a lot of airstrips in some of those areas.

Mr. Stokes: You will know the difference between what Mr. Reed is saying with regard to developing these small generating stations by entrepreneurial skills in the south and trying to mesh them into the Ontario grid is a far cry from what you are talking about in the far north, where they are never going to have a hope of tying into the grid. While it is going to cost us something up front, it seems to be the thing to do for the off-oil projects the Minister of Energy is saying will provide a basic service to people in the north like Armstrong, which is 30 air miles from Little Jackfish.

I realize all the problems you are having with regard to cost and with regard to environmental acceptability. You are going to have to do an awful lot of berming if you are going to be able to sell that.

We do not want all of that siltation. We are getting enough silt coming down now into Ombabika Bay and into Lake Nipigon, so a lot of people are saying—Ontario Hydro will not say it and the Ministry of Natural Resources will not say it—but there is some impact on the ability of fish to spawn as a result of the heavy siltation. You fly over Lake Nipigon and look at Ombabika Bay and it looks like the biggest bowl of pea soup you ever saw in your life.

Mr. Campbell: I have seen it.

Mr. Stokes: Little Jackfish is going to add to that. I realize there are some problems in selling it. I would say \$6,000 per kilowatt is a conservative estimate if it is going to be environmentally acceptable. Mr. Campbell

knows very well that there is a lot of generating capacity that could be utilized for the off-oil, not to put into the Ontario grid, but—

Mr. Nastich: Where you have your remote communities.

Mr. Stokes: Exactly. I had a letter here just this morning. How well do you know this Barber Hydraulic Turbine Ltd.?

Mr. Nastich: We have two of their units.

Mr. Stokes: I just had it this morning and I have been going over it and it ties in very well with what Mr. Reed says. I am going to read just part of it so you can react to it. It says:

“Traditionally in this country the large consulting groups such as Acres, SNC, Monenco and Lavalin, have tended to use both their staff and experience on large hydro to carry out small hydro projects. Cost overruns are so great that small hydro projects never get built. Small hydro cannot stand the prefeasibility, full feasibility and extended environmental studies which are necessarily a part of a large hydro operation.

“We do not dismiss the requirements for a proper feasibility study on the site but many studies have already been undertaken by the Ministry of Energy or Ontario Hydro in the past.

“What the native people require is a cost-effective, simple, reliable hydro facility that can continue to provide them with inexpensive water power for generation. Now with electronics, most installations can be unmanned. The generator can be monitored and controlled remotely.”

He wants to meet with me to indicate that he has the technology that will get them off oil. There are many of those sites up there where they are paying \$5 a gallon for fuel oil to generate by diesel.

Mr. Nastich: We have one at Sultan, which is a mini-hydel and I think that is—

Mr. Stokes: He mentions it. How long do we have to study this before we decide whether it is a realistic alternative to flying in oil and maintenance, because there are no roads?

I happen to know the costs for maintenance. Because of the safety factor, your people will not go in and maintain a station there unless there is an airstrip you can get in to under most flying conditions, so it is very expensive to maintain. Does that guy have an argument?

Mr. Campbell: I think he has one. Mr. Nastich was mentioning Sultan which is close to Chapleau, so I know all about it. It is 30 miles from Chapleau. A mini-hydraulic unit operates there. It has a diesel backup so if the water flow is not sufficient the diesel automatically turns on.

It has reliability, but it also has much lower cost. I think we have other examples of that in the north. You were talking about the \$5 oil up there and so forth. When you talk about barrels of oil there, you are talking about real barrels. They have to be taken in on barges, as you know.

Mr. Stokes: There are no barges any more. They are trying to get them back. You have started something and the Minister of Northern Affairs (Mr. Bernier) said during his estimates recently that the Ontario government has been hard at work developing better ways of delivering energy service to the remote communities of the north. He talked about gasifier systems and the wind-diesel hybrid station at Fort Severn.

Mr. Campbell: At Fort Severn; I was going to mention that.

Mr. Stokes: Your people were very excited when I issued a press release based on what I had learned during the estimates. I got calls from Ontario Hydro in Thunder Bay saying: “Where are you getting your information? We are being asked to answer all these questions.” I think University Avenue should talk to Thunder Bay to keep them au courant as to what you people are doing.

I understand that is going to be installed with your diesel. There will be the hybrid system in tandem, in much the same way as you are saying, diesel and water power.

Mr. Campbell: At Attawapiskat there is another one that you would be interested in. It is kind of the reverse of that.

Mr. Stokes: Off-oil; I have it right here.

Mr. Campbell: That is where we are using heating from the diesels to heat the hospital.

Mr. Stokes: Microprocessors.

Mr. Campbell: Is that the one?

Mr. Stokes: Yes, that is it.

Mr. Campbell: That is going to save a lot of oil. There are lots of those things.

There are a couple of things I want to mention. There is good news and bad news here.

Getting back to what Mr. Reed was saying, I think there is potential for some of the small hydraulic, particularly in some of the towns there, and not only there. For example, I would like to see municipal utilities and conservation authorities—some of them are doing it. Fanshawe has put in a—

Mr. Reed: Would you help us restart Bobcaygeon?

Mr. Campbell: We will talk to you. For example, in Chapleau they always generated

their own power with the dam there. When I was going up there, they always did that. There was a disadvantage. One could not have an electric stove.

They did not have enough power for the town of about 3,000 people. Then they put in diesel generators and that was very expensive. Finally, the people petitioned to get hydro hooked up and they put them through to Wawa. They put that line in. It is about 70 miles, so it is quite vulnerable to storms and that kind of thing. They get power outages now, but they have low-cost hydro.

It was a local utility. At the time, hydro was so cheap when it came in that they dismantled the powerhouse and I guess they sold the generators or something, but the dam is still sitting there. Some of those dams have to be examined.

Mr. Reed: With respect, those tragedies were going on as recently as 1977 and 1978. If it had not been for a question raised in the Legislature, the powerhouse would have been ripped out of the Mattawa dam at that time. I can give you a litany of things that have gone on in the past.

11:10 a.m.

Mr. Campbell: I think there is a potential for some of them to be used, particularly as the cost of fuel goes up. I think we are going to see more of this kind of stuff where you do not have the transmission.

The one caution I have again, and I do not have to tell Mr. Stokes this, is that some of the numbers we hear about large quantities of hydroelectricity being available in Ontario are a little bit misleading.

For example, to get any of those large numbers you have to include the Albany River, the Severn River and the Moose River. I know those places. When you fly over them, it is like the prairie; it is flat. If you ever had a power project up there, you would flood immense areas of land.

Mr. Stokes: You can use the mini-hydel but you cannot do a megaproject.

Mr. Campbell: You are not talking about generating power for Ontario; you are talking about mainly local stuff.

In theory, the power is there and it looks as if you have a lot of megawatts available. In practice, I do not think in our lifetime we will see any of those rivers developed because the environmental impact would just be too great. We have seen what has happened in northern Quebec with the caribou and so forth, and I would think we would have just an incredible problem if we ever did it.

I am not saying people at some point in the future might not have to look for sources of power there and find ways around the problem. But I do not think we will see it in our lifetime, because the environmental problems are just too serious.

Mr. Nastich: The mini-hydel, Mr. Stokes, is a system whereby we put a suction on it; we put in a dam with a little suction pipe, and that increases the flow of the water through the turbine. Also, the Sultan installation has had some mechanical problems.

I think there are two sides to it. The dams are quite expensive to build there, and as Tom has said, some of the dams you have there are not really safe. They found that at Sultan; it was a Ministry of Natural Resources dam that was not quite right, and when they tried to build on it it leaked and we had to spend a lot of money to build that dam.

The mini-hydel is a good concept, but I think it has had mechanical problems. I am not up to date with that, but there has been problems with it; and the size, 250 kilowatts, is quite small.

Mr. Reed: The fact is, though, that there are other games in town. Galt Energy Systems, my friend Dave de Montmorency is building his own design of advanced Kaplan turbines, and he can build them in increments of whatever you want.

Mr. Nastich: The short answer is that they are good ideas but they have teething problems, which no doubt will be solved. In the north, where you are comparing against oil, they can be economical, because that is where the cost is.

One of the difficulties that Mr. Reed is alluding to is that we have a very economical alternative in this province as compared to New York. Therefore, the substitution you have to talk about has to compete with a pretty efficient alternative, whereas in New York they are paying two and half times as much for electricity so therefore buying back on hydraulic their average cost is reasonable.

Hon. Mr. Andrewes: Mr. Chairman, perhaps I could inject one thought into this discussion before we move too far away from the whole concept of energy from waste.

I think you have raised some very vital issues, Mr. Reed. There are problems with energy from waste, and you have alluded to some of them. The concept of landfill is a very expensive one; it has environmental impacts and there are problems in relation to bringing together various interest groups, whether they be municipal councils or municipal utilities that are responsible for the distribution of electrical energy.

In dealing with those problems, I think you create certain opportunities. That is partially the business we are in; all of us here. We as a ministry can play a role in helping to facilitate the concept of energy from waste, to try to make it happen by bringing together the various interested groups, which I suggest are many.

Importantly, out of the whole thing what we need to do as well is to formulate some type of communication strategy that will help to sell the concept. The concept has to be sold on a commercial basis as a viable commercial operation. With many of the municipalities, we have to overcome the whole idea that it is an expensive concept.

At the present time many municipalities are able to landfill waste at a very low rate, an unrealistically low rate, and probably do not properly account for the true cost of that landfill. So we have some work to do. With the Ministry of the Environment, we are going to be very active as facilitators because we think it is a concept worth pursuing and one that can enhance significantly, on the environmental side, and it also can meet some of the needs of many industries.

Mr. Reed: Can I now go back to the region of Halton and the region of Peel and tell them what you said?

Hon. Mr. Andrewes: Yes.

Mr. Reed: And say to Frank Bean and Peter Pomeroy, "If you get in touch with the Minister of Energy, he will help you facilitate this desire you have to get into refuse utilization."

Hon. Mr. Andrewes: With respect, we have. We have had several meetings with those individuals and others.

Mr. Reed: You certainly have not cleared the hurdles.

Hon. Mr. Andrewes: Clearly the question that those individuals come to me with is, "How much money is the government prepared to put into these projects?" That is a stage we have to move to at some point, but there are many stages we have to go through before we get to that point. We have to identify customers, we have to overcome initially the public fear that this is a concept that is going to create a lot of problems.

Mr. Reed: No question that education is one of the prime roles that your ministry could play in this. Your ministry, in 1976, made a commitment to finance garbage utilization to the tune of 50 per cent provided—this was the hooker—they used the Downsview front-end technology. It was a technology—

Hon. Mr. Andrewes: We do not have any hookers in our ministry.

Mr. Reed: It was a technology totally unsuited to the municipalities. It was a \$15-million flop. We repeatedly asked the then Minister of the Environment if he would broaden the terms of reference of that front-end financing and allow it to apply to a variety of technologies, such as energy from waste, but it was never done. It flew right in the face of the President of the United States in 1973, who declared garbage to be a national resource and put up some front money to see that it happened.

The track record of your government is lousy in this regard. The foresight is just nonexistent. I am getting a little long in the tooth for this.

I had a couple of other things. Mr. Campbell made a comment that the people of Ontario are shareholders in Ontario Hydro. I do not know whether that was a philosophical concept or not, but in terms of the Power Corporation Act it has to go on the record that if you ask your internal lawyers for a legal opinion as to where the fiduciary responsibility of the directors of Ontario Hydro lies, it lies with the directors of Ontario Hydro. If that makes the people of Ontario shareholders in Ontario Hydro, I will eat my hat.

The other thing I have to point out is that the Minister of Energy now is not answerable in the Legislature for Ontario Hydro. In 1978 I brought in for the first time a private member's bill amending the Power Corporation Act and the Energy Act to accommodate that and to allow the minister to take the political flak and be responsible, where I feel the responsibility should be, and allow you fellows to get on with the job of producing electricity, which is what you do.

Over the years since the inception of the Power Corporation Act it has been very unfortunate that you people have had to put yourselves in a political position. That really is unfortunate, because it has been very time consuming for you and I appreciate that. There is where the responsibility should lie. The minister should be answering for Ontario Hydro. Under the Power Corporation Act, as it exists, he does not.

11:20 a.m.

Hon. Mr. Andrewes: Can you give us some examples of where I am inhibited from being accountable?

Mr. Reed: Let us talk about hearings before the Ontario Energy Board. Hydro dictates to the OEB what information it will release and what it will not. It is as simple as that.

Hon. Mr. Andrewes: You are talking about confidentiality in contractual arrangements.

Mr. Reed: We were into confidentiality when Hydro was refusing to allow its nuclear information to be made public and the select committee, because it had the power in those years, forced Hydro to make it public and put it into two libraries in downtown Toronto. No one goes in and reads the stuff, but it is there. The fact is, your utility came back three months later—Bill Morison came back to the select committee and said, "We tried it and we like it." It was a good idea.

This business of confidentiality is like the Petrosar contract for heavy oil, which is the same kind of stuff. The minister has never seen the Petrosar contract. His predecessor had not seen it. He said in the House he had not seen it. The reason he had not seen it was because Hydro would not let him see it.

Mr. Campbell: Would you like to see it?

Hon. Mr. Andrewes: I have never asked, Mr. Reed. I have never seen the contract, but I have never asked to see it.

Mr. Reed: You have never even asked. That has to be a commentary in itself. There is a contract that has cost millions and millions of dollars for the electric power consumers of Ontario.

Hon. Mr. Andrewes: I think the importance of that contract is because of its terms and its impact on rates, I grant you that.

Mr. Reed: It certainly has. I do not know how many million we are up to now. It was \$60 million or \$70 million of oil not bought or not taken, because it was a take-or-pay contract. We have never been allowed to see that contract.

That is part of my argument why the ministry should be answerable in the Legislature to the people you desire to be the shareholders of this utility. If, in fact, they are, then it seems to me they have a right to know.

Mr. Stokes: Ontario Hydro does not make legislation.

Mr. Reed: No, no. I am being critical of the government, now, Jack. I am not getting critical of—

Mr. Stokes: Then look the other way.

Mr. Reed: Okay. I have only one other criticism and I think Hydro should be aware of this, although I do believe that in the end this is the government's responsibility. The expanded municipal legislation for hydro distribution has

not always worked the way it should have worked.

I had one situation presented to me just recently where guarantees were given, at least verbally, that certain elements of the status quo in the maintenance of the system and so on would remain, and there were private contractors who were repairing electric water heaters and so on. In my constituency, the local municipal utility has now taken that out of the hands of the private contractors and put it into the hands of employees of the municipal hydro at much higher cost than before. That reflects directly on the rates.

Hon. Mr. Andrewes: Those were undertakings given by the utility prior to restructuring?

Mr. Reed: I sat in on those things and was given assurance by your expert on utilities, Mr. Frame, at the time, that the status quo would not be upset. There are people out there in business who depended to a certain extent on that business and my information—how right or wrong it is you can confirm if you like—is that this has now been taken away from them and put into the operating portion of the municipal utility.

I am concerned, because it is a higher cost process.

Hon. Mr. Andrewes: I would be concerned, too. I think if there are undertakings given, those undertakings should be maintained. If there are specifics of that situation that we should know about, I would be glad to receive them.

Mr. Reed: Thank you very much.

That really sums up the main points. I realize I have commandeered an awful lot of time and I will be pleased to defer to someone else.

Mr. Di Santo: Mr. Chairman, I have a few questions. I would also like to make some comments.

The chairman outlined the basis on which the new mandate of Ontario Hydro should develop. One is reliable energy supply. He also said we have the most balanced system in North America, with one third hydraulic and two thirds coal and nuclear. He said we are aiming at what he called electricity independence.

On the other hand, Mr. Nastich said that one of the options open to Hydro in the future is to evaluate the possibility of importing electricity from Quebec and Manitoba.

One of the contentions we had in the past and that we have now is that the system is balanced now, but will not be balanced a few years down the road. In the next few years, a number of nuclear plants will be committed and the balance

will be completely upset. We are going to have a system that will be heavily nuclear.

If you think it is valuable to have a balanced system, do you not think what Hydro is doing runs exactly against what you think is the optimal system?

Mr. Campbell: Mr. Di Santo, I appreciate that comment. The way I view it we will still have a balance in the system and a substantial part of our electricity will still be produced by hydraulic.

Mr. Di Santo: It will be 30 per cent to 70 per cent, which is not balanced.

Mr. Campbell: If you look at other systems you will see we have a multitude of sources, unlike other systems. Regarding nuclear power, we have to look at what it is displacing. It is essentially replacing imported coal, which is expensive and has environmental problems.

However, in an emergency we will still have the capacity in our coal plants for peaking power, backup power and so forth. We will still have a balance, except that we will be using the most efficient and lowest cost sources, hydraulic and nuclear, for most of the base load.

For our purposes, it also achieves the admirable goal of making Ontario independent for sources of electricity, using local sources that create jobs in Ontario rather than in Pennsylvania or somewhere else. It is at lower cost and better for the environment. I think those things are all to the good.

11:30 a.m.

Mr. Di Santo: Let us examine for a moment what the concept of independence means for Ontario. When we talk about energy in general, we are talking about something that will be used for the development of our economy. It is a means to reach some economic goals we collectively choose.

This means that at any time we should have reliable sources of energy. As you said, we should have low cost energy available for our industry. If we have reliability and low cost, I think independence becomes absolutely secondary. In fact, we are importing gas from Alberta, which is a reliable source. That does not imperil the industrial base of Ontario at all.

We are saying Ontario Hydro's commitment to huge nuclear stations which draw immense capital, \$65 billion—

Mr. Campbell: No, no.

Mr. Di Santo: That is the figure that has been thrown out. We do not know that, because you never appeared before a forum and discussed

your projects, so we have to speculate. This is the figure I read in the newspapers, one that has been thrown out before the public accounts committee.

If that is not the figure, okay, I would be glad to hear what the figure is.

Mr. Campbell: If I could just be permitted to interrupt, that figure has been thrown around and there is a lot of misunderstanding. Our present debt is approximately \$20 billion. That will rise slightly as we complete Darlington, then it will start to trail off in the next few years. We have those numbers available. Our debt is actually going to be—

Mr. Di Santo: Can you make the figures available to us?

Mr. Campbell: Oh, yes.

Our debt is actually going to be less 10 years from now than it is now. It is going down. Where people got that \$50 billion to \$60 billion was a very strange form of accounting. What they did was to look at refinancing.

Suppose you had a mortgage for \$50,000 on your house and you renewed it, as many people have done. In the kind of accounting you are talking about you would count that as \$100,000, whereas you still owe only \$50,000. That is where they got the \$50 billion or \$60 billion. It has nothing to do with what we owe.

Mr. Di Santo: I know, but the fact that it happens tells a lot. Such a misunderstanding becomes so factual that you read it in every paper, in all the clippings—I do not need to read them to you. This means there is an information gap. More than that, it means that this Legislature, which is supposedly responsible because the government approves and guarantees all the money you borrow, is totally impotent. We do not even know how much your system expansion will cost in the next 10 years.

Mr. Campbell: Those figures are all publicly available, so we will get them to you.

Mr. Di Santo: Okay, thank you.

Mr. Nastich: I think you have them, because you quoted from other reports and that data is in them.

Mr. Di Santo: Accepting your correction, it does not change the thrust of what I was saying. I was saying that you are committed to use financial resources that could otherwise be used for the development of our economy. You said with pride that when the nuclear stations are in place we will save \$1 billion a year that will be used for other purposes. You are now paying \$4

billion in interest on your loans. That could be used for—

Mr. Nastich: Did you say \$4 billion? That must be another newspaper report.

Mr. Di Santo: It is a newspaper report.

Mr. Campbell: What is our interest, \$700 million?

Mr. Di Santo: It says about \$4 billion of the \$10.9 billion will go to interest payments, the cost of borrowing to pay for the construction of Darlington.

Mr. Campbell: You are talking about over about 10 years. It is capitalization of interest. That is over 10 years.

Mr. Di Santo: Okay, it is capitalization of interest, but it is still \$4 billion that could be used for the development of the economy.

What I was want to ask you is, if you have reliability of supply and a low price, should that not be one of the avenues Ontario Hydro should consider, in view of the fact that the public accounts committee was told by Mr. McIntyre that the cost of electricity produced by Darlington will be 6.5 cents a kilowatt, while the electricity produced by Hydro-Québec will be two to three cents less than that?

Mr. Nastich: I do not want to get into detail about what we did at the standing committee on public accounts, but the comparison there was power from Darlington in 1992 with what electricity might be available from Quebec today on a short-term basis.

Mr. Di Santo: It was 1998. That is the date I have in front of me.

Mr. Nastich: Well, 1992 is the in-service date for Darlington. The point is that Quebec has very low-cost hydraulic power. Quebec will not sell hydraulic power to us cheaply. There is no reason for them to; they have a market in the United States which is very much higher in price than ours. Hydro-Québec can sell electricity into New York at close to what it would cost to generate it with oil.

Mr. Stokes: Thanks to Newfoundland.

Mr. Nastich: Partially. The point I am making is that low-cost hydraulic power is not available to us from Quebec or from Manitoba.

Mr. Di Santo: It is also true that you have never sought long-term contracts because you have surplus capacity.

Mr. Nastich: We have been trying to buy as much power from Quebec as they are prepared to sell us. They much prefer to sell it to the United States. If you want to confirm that, write to them.

They have been making an attempt to sell electricity from their James Bay project at the highest possible price. The highest possible price is in the United States.

Mr. Niitenberg: Just to clarify this purchase, as of this morning at 9 o'clock, which is the system report I have, we were buying 450 megawatts from Quebec, even in the surplus situation. It was hydraulic power, it was available to us on short notice and it was economical. To say we are not interested in buying this is wrong.

Mr. Di Santo: What an objective observer will deduce from the present situation is that of course you buy electricity in the peak periods, even from the United States, when you need electricity. We understand that. What we are saying is that your system now is plagued with such a surplus that you cannot possibly plan on buying electricity on a long-term basis because you do not need it.

Mr. Niitenberg: As Mr. Nastich indicated, it is not available at economical rates on a long-term basis. They are rates that are dictated by the US markets, as far as Quebec is concerned.

Mr. Campbell: When you mentioned the cost of the Darlington power—you are talking about 1992—the cost of competing forms of energy at that time will be even higher, so that will still be an economical station. Atomic Energy of Canada makes the claim that there has never been a Candu system built that is not competitive with fossil fuels, and they do not expect there ever will be.

By 1992, if you take a look at what the US rate will be, that will be the rate that determines what Hydro-Québec will sell its power for. A lot of people think Quebec has cheap power because it has Churchill Falls, James Bay and so forth. Quebec views that as a resource system—

Mr. Di Santo: I know. We understand that.

Mr. Campbell: —and they are not going to sell it at low cost; they want the top dollar. Right now they are selling to New England and New York, where they are displacing oil- and coal-fired power and getting the top dollar for it.

Mr. Di Santo: We understand that. We also understand that hydraulic electricity when not used just goes down the drain, but that does not mean they are going to give us cheap or free electricity. We understand that. They make their economic calculations and they want to make the big buck out of their resource.

What I am saying is that the way your system is built now, you have a surplus or reserve—how much is it now? Is it 51 per cent, 54 per cent next year and 57 per cent the year after?

11:40 a.m.

Mr. Niitenberg: I do not know where some of these figures come from. If I could have a minute, maybe I could shed some light on the power system we operate.

As of today, we operate 76 separate plants. Of these, 67 are hydraulic, five are nuclear and four are coal. Our hydraulic capacity today is about 6,700 megawatts. Our nuclear capacity is 5,822 megawatts, and our coal-fired capacity is around 9,000 megawatts, so we have about 21,600 megawatts available to us.

We have taken out of service some high-cost operating plants—Thunder Bay unit 1 and J. Clark Keith, which are old coal-fired plants; Hearn, which is coal and gas; and Lennox, which is heavy oil—to the tune of 3,550 megawatts. Those plants cannot be activated in the short run.

Mr. Di Santo: That is 3,500, not 4,000?

Mr. Niitenberg: Yes, 3,550. What we have, when you figure in the reserve capacity we need, as far as peak is concerned and using 25 per cent as reserve capacity, we are looking at another margin of about 15 per cent.

Mr. Di Santo: You are excluding the 3,500—

Mr. Niitenberg: Yes, because in this day these plants are not economic to operate. They do not produce economic energy. They are capable of keeping the lights on if you are running short of capacity.

I think there is a lot of confusion about what the plants represent. The plants are manufacturing plants. There are certain costs, and if the cost of production in any one plant gets very high, it is more prudent either to put a new plant into the system, which we hope produces the product at a lower cost, or to buy the power. We are doing both. We can buy power cheaper from Hydro-Québec than we can produce at J. Clark Keith, so it is sensible to try to replace it.

By 1990, we expect to run 78 plants. It will still be 67 hydraulic, six nuclear and five coal. We still retain all the hydraulic capacity produced, and that will be running flat out. That is still 6,700 megawatts plus some minor improvements, which we will be doing by changing runners, and we have an upgrading program on our existing hydraulic plants.

Mr. Di Santo: How many of the coal-fired plants are used at reduced capacity?

Mr. Niitenberg: All of them, and they always have been. They have been designed to use at reduced capacity. I want to make that point very strongly.

Mr. Di Santo: Even the new ones?

Mr. Niitenberg: Even the new ones. Hydro has never committed a coal-fired plant except for peak load. They have never committed a base-load coal-fired plant. They are all designed to take swings. As the load goes up and down, some of them work at 50 per cent capacity, some work as low as five.

Mr. Reed: Just by way of a supplementary, when you are looking at your committal for peak, have you ever reviewed the pump water storage sites?

Mr. Niitenberg: Yes, we have.

Mr. Reed: Vis-à-vis coal?

Mr. Niitenberg: Yes.

Mr. Reed: How do they look now?

Mr. Niitenberg: In that magic 14,000-megawatt number of hydraulic capacity available, there are 2,000 megawatts of pump storage, which we hope to peak with in the future. It looks very attractive with a base of nuclear. It is a good combination of off-peak nuclear and pump storage.

Mr. Reed: We talked about this seven or eight years ago, and Delphi Point was leased out for a dollar an acre or something. Are you ever going to be able to recover that and put it into service?

Mr. Nastich: I think it is a long-term proposition.

Mr. Reed: Politically, it is going to be a tiger, because now it is a ski hill.

Mr. Nastich: That is right. It also involves a nuclear plant at the site to pump the water up at off-peak times.

Mr. Reed: How about Bruce B? It is not that far away and you have the ability to put a 500-kilovolt line right across the corridor.

Mr. Nastich: Yes sir; we sure have ability to build 500-kilovolt lines in Ontario.

Mr. Reed: I noticed that.

Mr. Nastich: That is one of the great advantages of being in Ontario, being able to build 500-kilovolt transmission lines.

Mr. Reed: You have the corridor there now to upgrade—it is a 115-kilovolt line, is it not? You have the site; although you are going to have to convince the skiers, like me, it is not going to disturb us.

Mr. Campbell: I wonder if I might go back to Mr. Di Santo's question. The main concern I have about coal is that I want us to burn as little coal as possible. First, it is at least 30 per cent more expensive than nuclear; so every time we can reduce coal and use nuclear it saves the ratepayers on the rates, it makes our competitive position better and it keeps the money in Ontario and Canada.

Mr. Stokes: What about gas?

Mr. Campbell: That is an interesting question. I am glad you raised that, Mr. Stokes, because I have been talking to our people here. I should start by saying I think that is an issue the country should look at, because it now appears we will have a surplus of gas for a long time, and the price is too high.

Mr. Stokes: Yes. It is artificial.

Mr. Reed: The surplus will not be there to deliver.

Mr. Campbell: They have shut-in gas; that is what they talk about. They could deliver it but it is shut in, in Alberta.

It seems to be a little strange, because we are going to have to continue to buy coal for peaking power, even after Darlington, because when you talk about Darlington being surplus, it is going to be displacing US coal. I do not consider that surplus. Anything that displaces an import that is expensive and bad for the environment I do not consider a surplus.

What we will have then is a surplus of coal-generating capacity, which we will use for emergencies and for peaking power. So we are still going to be buying coal, even when Darlington is on stream. For the country, that does not make too much sense. It makes sense for Ontario at the present prices, because coal is about a third the cost of gas.

Gas has become too expensive. If the gas market were working, it would drop in price. If Alberta wanted to sell more gas, we would be quite happy to replace coal with gas, but they would have to sell it to us at about a third of the price at which they are selling it right now.

Mr. Di Santo: Then you will have a huge problem, because you will be able to put 3,500 megawatts back in use and what do you do with it?

Mr. Campbell: We would displace the coal we are burning right now.

Mr. Niitenberg: That is incorrect, Mr. Di Santo. The only plant in our system capable of burning gas would be Hearn; the rest of them would involve major modifications. They do not

have a gas delivery system, they do not have the gas burners and we are not even too sure whether some of the boilers are capable of burning gas. Hearn is capable of burning gas; there are four 100-megawatt units at Hearn that are exclusively gas—that is 400 megawatts—and there are four others that can burn gas and coal mixed.

Mr. Campbell: That would make a lot of sense in Toronto, for example, because it is right in the city and for all sorts of other reasons. It might be impractical, however, because I cannot see Alberta voluntarily selling its gas for one third the price it is getting now.

11:50 a.m.

Mr. Stokes: You have your own gas coming on stream. We had Malcolm Rowan from the Ontario Energy Corp. here last evening, and he was waxing eloquent about the great strides they are making through Trillium—I have the figures here some place—but they are not bringing it directly into Ontario; they are bringing it into the grid in Alberta, and it gets into the mix.

What is the idea of us spending significant amounts of money to develop gas in the Arctic and then asking Alberta, "What are you going to do with it?" Does the Minister of Energy talk to Ontario Hydro or the Ontario Energy Corp. to see where we are going to get the biggest bang for our buck?

Mr. Campbell: I cannot speak for the minister or the Ontario Energy Corp., but what I do say is that we would be prepared to use gas if the price were right. Right now the price is about three times too expensive to compete with coal, and coal is expensive.

Mr. Stokes: We have a wholly owned crown corporation in Ontario, financed with the provincial taxpayers' dollars, developing significant supplies of natural gas up there; but when are we ever going to get to use it by, say, converting to gas-fired generation in Ontario and cutting down on the environmental consequences? Why do we spend this money?

Mr. Reed: I would like to throw another rock into the pond in this discussion. I am always astounded that you would burn gas to generate electricity at 40 per cent of thermal efficiency to provide electric heat.

Mr. Campbell: You can do it only if the price is right.

Mr. Reed: It is great to say "if the price is right," but you are converting it to a secondary form of energy to send it down the line and replace the "talking furnace." I just do not understand the energy concept here.

I realize you are generators of electricity, but in a broader energy picture, the utilization of gas to generate electricity, to be reconverted into electricity for heat, makes no sense whatsoever.

Mr. Niitenberg: If you segregate the economic argument from the resource argument, the economics would make some sense, if the gas were available.

Mr. Reed: It would tell me that I should be burning gas in my house and not putting in electricity.

Mr. Stokes: If you had it.

Interjection: A lot of people do not.

Mr. Niitenberg: On resources, I feel the same as you do, Mr. Reed, because the conversion efficiencies are actually lower than 40 per cent; they are in the range of 35 per cent.

Mr. Reed: You mentioned that a lot of people do not have gas, but propane is looking better than electricity now.

Hon. Mr. Andrewes: The fact remains that if you are moving into a period of time when flexibility is desirable, when gas or coal could be used for peak needs, perhaps the economics and the ethics become more realistic.

Mr. Reed: I can see any old port in a storm if you are looking for flexibility for an emergency—

Hon. Mr. Andrewes: I am not talking so much of an emergency.

Mr. Reed: —but philosophically, I cannot understand using it as an energy choice for generating electricity to provide home heat.

Hon. Mr. Andrewes: I would agree with you, except you have to realize that much of the gas exported from western Canada is for those specific purposes. It goes into the United States for electrical generation. The state of California buys a lot of Canadian gas and uses it for electrical generation.

Mr. Reed: It is just a lousy way to use gas, that is all.

Hon. Mr. Andrewes: But they have established environmental criteria that are very stringent because of situations in that state, and that is the application they choose to make of the gas.

Mr. Chairman: Can we go back to Mr. Di Santo, please? He is waiting patiently.

Mr. Di Santo: We are jumping all over the place and it is kind of difficult.

I am tempted to answer the minister, but I will not. What he is saying is that eventually we could buy gas from Alberta and sell electricity. What

he is saying is that California buys our gas to produce electricity and we can do the same and that if we have a surplus, we can export it because it is a commodity. However, that is not how it works.

Hon. Mr. Andrewes: I am not saying that at all. I am saying that, no matter which jurisdiction one is in, one is going to establish different criteria for the utilization of that resource.

Mr. Di Santos: Yes, you have to look at different circumstances. If California had the same resources we have, it would probably not buy Alberta gas.

Hon. Mr. Andrewes: Exactly.

Mr. Di Santo: Let me try to go back; it is getting more and more difficult. You were saying that you have a surplus capacity now, which is 41 per cent or 40 per cent, plus 3,500 megawatts.

Mr. Niitenberg: No.

Mr. Di Santo: You did not say that?

Mr. Niitenberg: That is not what I was saying.

Mr. Di Santo: You have 25 per cent, which is the usual reserve, plus 15 per cent.

Mr. Niitenberg: It is not just the usual reserve; it is something that is absolutely necessary to run a reliable power system.

Mr. Di Santo: That is what I meant; I probably expressed myself improperly. On top of that, you have 15 per cent, which is not absolutely necessary to you now, and you have 3,500 megawatts hidden at the mothballed plants. Correct?

Mr. Niitenberg: There are 3,550 megawatts of plants that are not in service right now from the point of view of having staff there to run them. They could be put back into service with various lead times in terms of months or in some cases a year. Because of their location, we could go back to them and develop them with new technology.

Mr. Di Santo: But you agree that they could be put back into use only if necessary, in an emergency. Right now, the system does not need them. The demand existing in Ontario does not require those plants to be operating.

Mr. Niitenberg: At this particular time that is correct; that is why we have taken them out of service and destaffed them.

Mr. Di Santo: Exactly.

Mr. Campbell: Maybe you can help me—I am new here—but there is one part of this argument that I do not understand.

We are mothballing, taking out of service, oil-fired plants and old coal-fired plants; for example, the Hearn plant was 40 years old and not as efficient as modern plants. Is that not a good thing? I thought that would be a good thing. We are competing against US jurisdictions and getting a competitive edge on them because they are content to rely on oil-fired and old coal-fired plants.

I thought it would be a good social and economic thing for Ontario to get rid of the oil, because it has become unreasonable in cost, and to clean up the environment by getting rid of oil-fired and old coal-fired plants.

Mr. Di Santo: No one is objecting.

Mr. Campbell: I thought there was some problem. I think we should be proud of that. I would like to mothball more of them.

Mr. Di Santo: No one is objecting to that. What I am saying is that we have a surplus capacity that is unused now, and I will make an argument later—

Mr. Campbell: With respect, I do not like to be told that is good but on the other hand be criticized for having this theoretical surplus capacity. Again you have to look at what the capacity is; it is oil-fired plants and old coal-fired plants. We should all be celebrating that we have mothballed them. Again, I do not like to be criticized for having surplus capacity sitting around.

Mr. Niitenberg: As an illustrative example of that, Mr. Reed raised the issue of conversion efficiency. J. Clark Keith in Windsor, one of our old coal-fired plants, has a conversion efficiency of about 26 per cent. Lambton, on the other hand, one of our modern ones, or Nanticoke, has 36 or 37. The fuelling costs are still high because of the coal cost. If you take the fuelling cost of a nuclear plant, it is a lot lower.

If you did not need the capacity of J. Clark Keith to keep the lights on or the factory motors running, you would not use it because you would take that pound of coal, put it on a boat or a truck and take it up to Lambton and burn it there because it is a more efficient way of using resources.

We would normally phase that J. Clark Keith plant out because it has 1940s technology; the plant was built for 1950. It has nothing to do with the notion that people are running it inefficiently or that the plant somehow is incapable of running. It is a well-maintained plant that can be put back in service to keep the lights on.

However, technology has overtaken it, and it is just not economical; it is economically obsolete.

Mr. Reed: I hope you are not including Lennox in that list as being old and obsolete.

12 noon

Mr. Niitenberg: Lennox is economically obsolete; it is not old.

Mr. Reed: That is right; it hardly ran.

Mr. Niitenberg: When it ran, it ran very well.

Mr. Reed: I know it did. I have been in it.

Mr. Niitenberg: To put that in the right context, the Lennox decision was made when we were offered oil at less than \$2 a barrel.

Mr. Havrot: Is the Atikokan fossil generating station in operation, or are you planning on putting it into operation shortly?

Mr. Niitenberg: Atikokan generating station is a single-unit, 200-megawatt station. We expect to place it in service early in 1985. The capacity of the full 200 megawatts is not required in the system at that time. For that reason, we have taken 100 megawatts out of the Thunder Bay operation.

Atikokan will be run as part of the Thunder Bay generating station administrative complex. It will have a unit that is staffed and it will have a unit that is running. Its production efficiency will be much greater than that of Thunder Bay 1, which again is early 1950s technology, so it made sense to do a swap there.

Mr. Havrot: Is it a coal-fired plant?

Mr. Niitenberg: It uses western lignite, which is very low sulphur, rather young coal.

Mr. Stokes: You must appreciate it was a political decision to build that one. It had nothing to do with efficiency or what was best for Hydro.

Mr. Havrot: I did not realize that.

Mr. Reed: There is also 59 megawatts still available at Great Lakes Paper that they cannot strike a deal with Hydro on in terms of a fair purchase price.

Mr. Di Santo: Darlington also was a political decision. In 1981, Ontario Hydro was having serious second thoughts until the Premier (Mr. Davis) said Darlington had to go ahead for political reasons because of the Board of Industrial Leadership and Development program.

In fact, that is the point I was trying to come to. Do you think Darlington is too late to be scrapped because it is in an advanced phase, or do you still think it will be needed by the system?

Mr. Campbell: It will be needed. I mentioned that we had scaled down our growth projections as low as 2.1 per cent. In fact, in 1982 we had negative growth.

However, growth is returning. I mentioned that last year it was 5.3 per cent; this year it is more than seven per cent to date. At that rate, Darlington will be needed sooner than we anticipated.

As I say, even when it comes in, it will be displacing coal-fired generation, which is going to be a net benefit to Ontario.

Mr. Di Santo: Unless you are able to use gas in some of the mothballed plants or reconvert some of them where it is economically feasible.

Mr. Campbell: I should say that our discussion on gas is really an academic one, because I do not expect gas ever to go down in price by two thirds.

Mr. Niitenberg: Could I just come back to that point of need? There is a lot of misunderstanding when you or I use the term "need" without defining it.

In the electricity business, if you define the need as "lights on/lights off," or, "I need the lights on, therefore I need this facility," then in the time frame you are looking at, Darlington is not needed. If you define the need of having an economic power system and balance the cost of producing that power in old factories versus the new factory, then it is needed. That is the distinction.

If you define the need as a capacity need only, it is early in the program. If you define it as adding to the generation mix, the first units certainly will be utilized and the second two were stretched out; so it is a reasonable match.

Mr. Di Santo: But that is a justification a posteriori, because now you have that monster. If we did not have Darlington, Hydro should look at the situation in this way: We have to produce electricity for Ontario. How much electricity is needed by the province as a whole for its economic, industrial and domestic use? Are we producing enough? Do we need more? Then you make an assessment.

But now you have this nuclear plant and, of course, you have to justify its existence.

Mr. Niitenberg: We make exactly the amount that is needed at any given moment. What we have to have is the factories to produce that product when you, as our customer, need it. At any given time some of our factories will be idle or partially idle; it is just the nature of the business. To say very precisely that this piece of

equipment is or is not needed, you have to say whether you are talking about energy production or capacity.

Mr. O'Neil: That is not a very good reason, though, when you have overcapacity and consider its cost to the province. You have all that in reserve, but it is costing us as consumers and the people of Ontario for that overplanning.

Mr. Campbell: Hold on for a minute. Let me deal with that. The alternative to going in the direction we have chosen is to continue to operate, as we were discussing earlier, either 40-year-old coal plants that are very inefficient, or oil-fired plants. That is happening in lots of places. New England, for example, is still heavily reliant on oil-fired plants.

Mr. O'Neil: Or Bath. Look at all the money that was spent on Bath.

Mr. Campbell: What we are talking about here is investment that is going to continue to keep our power rates lower than those of our competition.

Mr. O'Neil: I just do not go along with your reasoning for the amount of money you have tied up in the whole system. It is fine to say it is in reserve, it is there if you need it and it keeps down your rates. But the amount of money that Ontario Hydro has spent to have that reserve, that over-reserve or that overcapacity, is what upsets the people of the province.

Mr. Campbell: We have been discussing that, and we find the overcapacity is not of the order that some people are saying it is.

Mr. Chairman: We already have a lot of that information on the record now, Mr. O'Neil. Mr. Di Santo, have you finished your questioning?

Mr. Di Santo: Discussing what is needed, you are also counting on the growth, as Mr. Campbell says, that will be sustained in the next few years. What is that projection based on? You said the growth of electrical consumption this year was about seven per cent.

Mr. Campbell: Yes.

Mr. Di Santo: But that was quite exceptional.

Mr. Campbell: It followed 5.3 per cent last year.

Mr. Di Santo: Two years ago there was no growth at all; there was negative growth. Last year it started picking up, and this year there was some recovery in the economy.

Mr. Campbell: We are not projecting that to continue, but we are looking at matching up. Our growth rate was down as low as 2.1 per cent; we have put it back up to 2.4 per cent, and we are

looking at notching it up again to 2.5 per cent. It is coming back, and at those rates there is no question that Darlington is going to be needed.

12:10 p.m.

Mr. Reed: When you are talking about reserve capacity, I must say the criteria you use for defining that has not been changed. One of the things I should have said in responding to your opening statement, Mr. Campbell, was that you might consider redefining how you arrive at the reserve.

The peak consumption in this province occurs once a year, for a magic four hours. That is the nature of the beast. We do not know whether it is going to be in January or December; in some years it has been one month and in some years another. The fact is the calculated reserve is over and above that peak, and it does not have a great deal of bearing on the overall consumption.

One of the areas you might look at in terms of conservation, and you are going to look at conservation, is the way you determine that reserve. For instance, some utilities told us in the select committee that 15 per cent was considered an adequate reserve. That may not be right in Ontario and it may not apply; I am not going to challenge that. I am just saying other utilities have different views and different systems.

The bottom line here is there may be some very cheap load management techniques that might be used to change that concept altogether. For instance, you still sell interruptible B. When did you interrupt it last? You are selling it at a low price. Should you not be prepared to interrupt it, as a management technique, to save \$500 million or \$1 billion of extra expense in expansion of the system? I do not know.

Mr. Campbell: I do not disagree with what you are saying. In fact, we are looking at a lot of different load management techniques to try to get that down. Those are valid questions, but something lies behind that in terms of reliability. It goes back to Mr. Di Santo's question about our projections for growth.

We have evidence of US companies that have gone on public record—I can give you the statements they made—saying they specifically chose to locate here, rather than in the United States, for one reason: reliability of power. It was not because of cost; cost was important, but it was secondary. Reliability was the most important reason.

The case I am thinking of is Du Pont putting in a nylon plant. If the nylon plant power goes out—

Mr. Reed: I hope their contract is not for interruptible A or B.

Mr. Campbell: That is right; it is not. It would destroy the plant if they had a major power outage. The whole thing is that they are working with liquid nylon, and if it hardens, the plant is gone. That is an important consideration that is creating jobs.

I cite you the announcements of last summer. Less than two years ago, we were talking about the automobile industry in Ontario going down the drain. We heard lots about it. Last summer, we had four different announcements about \$2 billion in investment. That is going to create tens of thousands of jobs directly and tens of thousands more indirectly.

Just last week I was reading that one of those plants alone, the AMC plant, is asking for proposals now for \$1 billion in parts and supplies. There is a tremendous spinoff in that kind of thing.

Those companies were looking at other sites for those plants. One place they were looking at was Mexico, which has wage rates of less than \$2 a hour. That is very tough competition. One of the reasons they chose Ontario—I am not saying it was the only reason, but it was one reason—was reliable, low-cost power.

We had no idea those investments were going to be made. We could not have predicted it. It takes us 14 years to build a plant, but they can come along and say, "We are going to put a plant here, and it is going to be operating in two and a half or three years." That puts a tremendous load growth on us.

The point I am making is that we have to have that extra capacity or we are going to be driving away jobs, because those plants are not going to locate here unless we have it. That is one of our economic ace cards in getting those plants. They are not going to locate here if there is some question about reliability or cost. That is why I go back to saying that when we are displacing coal, which is high-cost, and replacing it with—

Mr. Di Santo: I do not think anyone in the world would quarrel with the fact that you must have a surplus or reserve in emergency cases or when—

Mr. Campbell: Or for opportunities.

Mr. Di Santo: Or for opportunities, yes. But I think you will agree with me that the economic scene does not change suddenly. There are developments. The auto industry picked up dramatically, but that does not happen every day.

The question I am trying to ask is this: You have this surplus capacity, which is substantial. You are forecasting 2.5 per cent growth, which includes, I think—I do not know your model,

because I have not seen it—possible economic developments about which you do not know now but which can come on stream in the foreseeable future. How many years will it take to absorb your reserve capacity with that rate of growth?

Mr. Campbell: In the late 1990s we will be absorbing all the capacity.

Mr. Niitenberg: And some of the plants that are in mothballs now will not run.

Mr. O'Neil: What do you mean they will not run?

Mr. Niitenberg: If you look at when the last unit of Darlington comes into service in 1992, let us say, J. Clarke Keith will be 45 years old, Hearn will be 35 or 40, Lakeview will be more than 30 and Lambton, which is one of our workhorses, will be somewhere between 20 and 25.

You can go back and refurbish them as part of the next increment of power, but it would be uneconomical to produce power from the technology that is there right now.

Mr. Reed: But you did refurbish J. Clark Keith; you spent more than \$20 million.

Mr. Niitenberg: Let us put that in the right context. We refurbished it to make it environmentally acceptable. At that time it had very low chimneys, and it had precipitators that were unable to take the lumps out of the gas stream.

There was nothing done to the production machinery. It was an investment to improve the environmental performance of that plant in the expectation that we had to run it, and we did run it for about three or four years.

Mr. O'Neil: What you are saying is that these plants that are not producing electricity will be brought in, and yet they cannot be because they have the old type of technology.

Mr. Niitenberg: You would not want to run J. Clark Keith if you had an option. For the next increment, as the chairman stated, we are going to have a look at hydraulic, refurbishing, conservation and load management—all those things. In fact, we have already looked at some of those items.

I would like to address the reserve margin situation. As Mr. Reed may recall, Hydro's benchmark for extra capacity was somewhere between 30 and 35 per cent; that was discussed in a fair amount of detail in front of the select committee and in front of the Porter commission.

We went back and recalculated the standards, and the target became 20 to 25 per cent. Depending on how tight you are on the system in

interconnections, 18 per cent may be sufficient or it may not be sufficient.

As an example, Barbados Light and Power feels it has to carry 50 per cent excess capacity because there are no interconnections.

Mr. Reed: In those days, you were not placing any value on interconnections.

Mr. Niitenberg: I agree. When we took those into account and recalculated the reliability requirements, it came down. I would say that some of the prodding to take a look at that certainly came from the select committee.

Mr. O'Neil: But you have not explained what you are talking about. Some plants—

Mr. Chairman: Excuse me. Time is quickly running out, and Mr. Di Santo still has not finished his line of questioning.

Mr. Stokes: I have not even got a question in yet.

Mr. Chairman: Mr. Lane has his name on the list even before you, and he has not had a chance to ask one question. We have tomorrow night, anyway.

Mr. Stokes: Will Hydro be back?

Mr. Chairman: Yes, Hydro will be back tomorrow night.

12:20 p.m.

Mr. Di Santo: Mr. Chairman, this is a quite disorderly way of proceeding. Let me try again.

I accept what you are saying, that Hydro needs Darlington by 1990 because of your system. But if what you are saying is true, that you will be able to reabsorb the overcapacity above the normal reserve you need by 1990, that means you are totally committed to Darlington and you will not be able to pursue any other avenue such as alternative sources of energy or conservation. If you take one of those two avenues and you are successful, as we hope you will be, then you will not need Darlington.

Mr. Campbell: That is not true.

Mr. Di Santo: That is what you have said until now.

Mr. Campbell: No, we will need Darlington.

Mr. Di Santo: You said you would need until 1990 to reabsorb the present overcapacity above the regular reserve. If, as Mr. Nastich said, you are successful in changing the customers' demand habits, which means reducing the use of electricity, which in Ontario is by far among the highest in the world—

Mr. Campbell: That is one of the reasons why we have such high economic growth and so much

employment; it is directly related to employment and the standard of living.

Mr. Di Santo: It may also be an element of bad habits.

If you are successful in conservation and in developing biomass or hydraulic power—all the sources you mentioned—then you will not need Darlington.

Mr. Campbell: Let me go back again. What I was saying was that Darlington is displacing coal-fired generation. Anything that displaces coal-fired generation, I do not consider in any way surplus. First of all, we need to do that to meet our environmental requirements.

Mr. Di Santo: Can I interrupt you right there? You say it is displacing coal-fired generation. Which one? How many megawatts?

Mr. Campbell: Let me put it the other way. When Darlington is fully on stream, we will still be burning US coal; so the whole amount of Darlington will be displacing—

Mr. Di Santo: I think you are contradicting yourself.

Mr. Campbell: No. Right now, we are running at about one third coal and one third nuclear.

Mr. Di Santo: But the justification you gave was that we need Darlington because in 1990 we will have reabsorbed the overcapacity as a result of the growth in consumption. Now you are saying we need Darlington because we are replacing the coal-fired stations. Which one is the case?

Mr. Campbell: We are doing both. For example, right now our coal burn is about 30 per cent. When Darlington is on stream, Ontario Hydro's coal burn will drop to less than 10 per cent; I think it will be around seven per cent. We will still be using US coal, but it will be down.

The power from Darlington will be needed in the decade of the 1990s. By the end of that decade, we will be having to look around for other sources of power in addition. That is not that far away; the mid-1990s is only 10 years away. Therefore, we have to start looking at whether we are going to refurbish some of our coal-fired plants.

I do not think continuing to burn coal would be an option, unless we had some new technologies that were going to be better for the environment. That is when the other items, such as conservation and load management, will be very important to us. We are going to have to explore all those options at that time. We do not have that

long because of the lead times involved. We have to start doing those things.

Mr. Nastich: We have been trying to build a transmission line for Bruce for 17 years.

Mr. Di Santo: That is not our fault, is it?

Mr. Nastich: It is an indication—

Mr. Reed: We thought you had learned after the Bradley-Georgetown experience.

Mr. Nastich: Learned what?

Mr. Reed: The correct methods of obtaining corridor space. I think you came back and told the select committee you would never do it that way again.

Mr. Chairman: Mr. Reed, I would like to get into that conversation too, but that line of questioning would not be productive.

Mr. Di Santo: It is true, and I accept what you are saying, Mr. Campbell. What role will conservation and alternative sources play?

I do not want just a motherhood statement. I want to know what plans Hydro has on the drawing board and what your goals are from now until 1990 and beyond.

Mr. Campbell: We are reviewing our hydraulic sites. We will be bringing forward environmental assessments on some of those sites; we will be speeding those up. That is a specific thing.

Right now we are examining the question of cogeneration, because we have some projects that are prepared to go ahead. We are looking at the buy-back rate right now. We have to look at not only what we would pay this year but also what we will pay down the road, because it is a long-term commitment.

I hope to see, and I know the Minister of Energy is interested in seeing, the cogeneration project go ahead at Chapleau, burning sawdust and chips from the mills there. We think that can make sense.

Those are just some examples of the kinds of things we are doing.

The area of conservation and load management is a very complicated one. Mr. Stokes will be interested in this. One of the things in conservation is to try to get people to use power at the right time, the right time of day and right time of year, if they can shift their loads around. So you get into the question of time-of-year and time-of-day use. Immediately that is a red flag to Mr. Stokes and the northern people, because they think it is going to bring some penalty to the north. I just cite that as the kind of problem you get into—

Mr. Stokes: Everyone in the north is absolutely convinced of that; so is the Northwestern Ontario Municipal Association, notwithstanding what Mr. Macaulay said last night.

Mr. Campbell: We are going to be talking to them. Needless to say, we are not planning to bulldoze over those people; we have to listen to them. That is the problem with conservation. We are working on it, but we are already getting attacked from northern Ontario for being too conservation-minded.

The time-of-use and seasonal rates are conservation measures, and we are already being attacked for those. It is an indication of—

Mr. Stokes: Try telling the people in the north, where it is 40 below, that they should just put on another sweater.

Mr. Campbell: I used to live in Chapleau. I know.

Mr. Di Santo: Will you be able to provide the committee with some material on this?

Mr. Campbell: Yes.

Mr. Di Santo: Mr. Chairman, I think we should adjourn.

Mr. Chairman: Fine. It is now almost 12:30. Do you still have some further questions for tomorrow night, Mr. Di Santo?

Mr. Di Santo: If I get the chance.

Mr. Chairman: Fine. We will come back at 8 o'clock tomorrow evening. We will try to provide additional entertainment in the background if we possibly can.

Mr. Campbell: Do you have bands for other groups or just for Hydro?

Mr. Chairman: Just for Hydro. Thank you very much, gentlemen.

The committee adjourned at 12:28 p.m.

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Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of Energy

Fourth Session, 32nd Parliament
Thursday, November 8, 1984



Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, November 8, 1984

The committee met at 8:10 p.m. in committee room 1.

ESTIMATES, MINISTRY OF ENERGY (concluded)

The Acting Chairman (Mr. Lane): I see a quorum. Mr. Di Santo, you were on when we last adjourned.

Mr. Di Santo: Can you just remind me of what I was asking?

The Acting Chairman: If you do not remember, I am sure I do not.

Hon. Mr. Andrewes: You were complimenting Ontario Hydro, the ministry and some of the—that is what you were going to do. I just remembered.

Mr. Di Santo: Yes, I was complimenting Hydro, in fact.

The point I was trying to make—and I was abruptly interrupted several times. I am glad you are the chairman tonight, Mr. Lane, because I know you are a fair person and will allow me to pursue my line of questioning.

The Acting Chairman: To a certain degree.

Mr. Di Santo: The question I was trying to ask, which I think deserves an answer, not only for me—

Mr. Stokes: Could we have a recapitulation—

Mr. Watson: Did you have to suggest that, Jack?

Mr. Di Santo: It is the position of Ontario Hydro, of Mr. Nastich and Mr. Campbell, that by 1990 we will need a new generating facility, the nuclear station at Darlington, even though we now have a surplus on which we did not quite agree because the figures were released by Hydro. We maintain that it is 51 per cent this year and will be 54 per cent in the year 1986-87.

We were told that there is an overcapacity but the mothballed coal-fired station should not be counted in that. In the accounting done by Hydro, they omit 3,500 megawatts. Do I represent your position correctly?

Mr. Nastich: Yes.

Mr. Di Santo: Hydro maintains that, despite that overcapacity—which in our opinion is excessive, and in theirs is recuperable in the next six years—if we have a rate of expansion of 2.5

per cent, by 1990 the system will need the new station in Darlington.

If Hydro is serious about conservation, I would like to discuss this with them and ask why they have not done anything like what the Tennessee Valley Authority has done since 1979, when it gave no-interest loans to home owners and industries to encourage conservation. What I asked was: "If you are serious about conservation, and successful, and if you are successful with alternative energy sources, how can you reconcile your position, even accepting a growth rate of 2.5 per cent, which is hypothetical, as you well know?"

By the way, I am speaking a little louder because last time my colleague told me I am not assertive, because he could not hear me.

Mr. Stokes: You are not projecting enough. That is what I said.

Mr. Di Santo: I am a follower and never pretend to be a leader. I do what I am told to do.

Interjection: Do not say that to your constituents.

Mr. Kerrio: It is acceptable from a senior member of their caucus.

Mr. Campbell: Our nuclear capacity will be coming on stream at Darlington starting in the late 1980s, with a completion date in 1992. All that power will be used, because it will be displacing coal-fired generation at that time.

Our projections, at 2.5 per cent growth, are conservative. We have a range of growth projections; take your pick. The only prediction where Darlington would not be needed would be virtual stagnation from now through the 1990s. We do not think that is going to happen. There is a very low probability of virtual economic stagnation.

Of all other growths in areas we have, 2.5 per cent is now a very modest one. As I mentioned yesterday, our growth this year was over seven per cent; growth last year was 5.3. We do not expect it is going to be that high, but it is probably not going to be as low as in recent years.

That power will be needed—we did not say it would all be essential by 1990, although it will be used, because it is displacing coal—in the decade of the 1990s. In other words, that is the range.

By the end of that decade, we will be looking for additional generation capacity. That is when we will be looking at the other alternatives we talked about: cogeneration, small hydraulics, parallel generation, buying from other sources and also conservation. That is not as far in the future as we might think, because some of these things take some time to get going. The mid-1990s is only 10 years away, so we have to start thinking and planning for the alternative sources now. In the case of conservation, we should start to promote that now, if it is going to be of real benefit to us in the decade of the 1990s. If that is successful, we may not need additional major generating facilities at that time.

Mr. Di Santo: I would like to put a question in very simple terms. You have all kinds of projections; you have an econometric model. In your model, can you explain what your targets are in conservation and in alternative sources, not in terms of wishful thinking that in the mid-1990s we will have enough? Do you have targets in megawatts that you—

Mr. Campbell: We have targets. In fact, the growth of 2.5 per cent we are talking about includes significant targets for conservation. Mr. Burdette has some of those figures, maybe he could give them to you.

Mr. Burdette: I can give you some of the targets we have built into the generation plans we are now working on. For example, we are anticipating as much as 1,400 megawatts of managed load by the end of the 1990s.

Mr. Di Santo: I am sorry, can you speak a little bit louder and more slowly?

Mr. Burdette: Let us get the papers away from the microphone too.

Mr. Niitenberg: That is the life blood of the operation.

Mr. Burdette: The plans we are working on have about 1,400 megawatts of managed load built into them. That may be optimistic. That is, none the less, what we have built in as the objective at this time. We have also—

Mr. Campbell: Mr. Chairman, that is three Pickering units. That is a significant amount of load that is in our plans.

Mr. Di Santo: I know. I am doing my calculations with a pencil, so I am at a total disadvantage.

Mr. Kerrio: Even those who use sophisticated machinery can come up with the wrong answers.

8:20 p.m.

Mr. Burdette: We also anticipate something in the order of 350 megawatts from a combination of small hydraulic, cogeneration and that kind of thing, and something in the order of 600 to 700 megawatts of hydraulic. In addition—

Mr. Di Santo: Does that include the 350?

Mr. Burdette: No, that is the larger hydraulic.

Mr. Di Santo: That is fine.

Mr. Burdette: In addition to that, we have an undefined group, because it is hard to pin down, that is conservation. We could be exploring and looking for ways to capitalize on something in the order of 1,000 megawatts or more. We think it is possible from an economic point of view. That has to be looked at in some detail.

As you heard here yesterday, we are looking at a comprehensive plan to deal with the requirements of the 1990s and beyond, which will take into account all of those kinds of things.

Mr. Di Santo: By what year is this?

Mr. Burdette: The numbers I am quoting meet the needs to around the year 2000. That is the target point at which we are looking for something beyond Darlington.

As Mr. Campbell mentioned, that may vary, depending on how the load unfolds during the next number of years. We do have to maintain some flexibility. If we were to take just a fixed load forecast at 2.5 per cent, we will have to be prepared to handle something additional then. That can be done either through the additional supply facilities or through some forms of conservation. We want to look at both.

The important point is we are not committed to anything at this stage beyond Darlington. We will not be committed to anything for some time and we will try to maintain that flexibility. In the meantime, we will be looking for those other alternatives.

Mr. Di Santo: In 1979, the Tennessee Valley Authority was faced with exactly the same situation. They decided to scrap the four nuclear plants they were building on which they had already spent \$2 billion. Subsequently they decided to scrap four more nuclear stations.

The reason is that when you build a nuclear station like Pickering, you do not know initially what the ultimate costs will be when the station will be committed. In fact, you started at Darlington with a projection of \$3.4 billion and now you are at \$10 billion, \$11 billion, \$12 billion. By the time it is completed, it will be \$12 billion.

Mr. Nastich: Without the heavy water it will be under \$10 billion and with the heavy water just around \$11 billion.

Mr. Di Santo: Ten billion dollars?

Mr. Nastich: The cost estimates have been reduced since the last time.

Mr. Di Santo: I am sorry, when we went to visit the site, I understood it was close to \$11 billion. It does not matter. My point is that you do not really know how much it will cost. If you have an event like the one in Pickering where it was shut down because of a pressure tube blowing up, or other events, then the cost will go even higher.

If you are telling the committee that by adopting the measures of conservation and alternative sources you can scrap—correct me if I am wrong—from six to seven Darlington units, from the point of view of Ontario consumers why not do this now instead of going ahead with the nuclear program and postponing this target until the year 2000?

Mr. Campbell: The savings we have in our plan are not demonstrated. They are certainly worth looking at and attempting. If those measures are not successful, however, we have to be looking at other major generating facilities.

It is important we have this kind of debate now and for the next few years. It is a question of the direction consumers want to go. It will take many decisions on the part of a lot of consumers and users to achieve the kind of targets we have in our plan. A lot of that is not feasible in the short term.

A lot of it, in our industrial saving, for example, requires more investment on the part of industry to consume the power for more efficient processes and techniques. For instance, electric motors can be made more efficient, but that also costs money, so it is a question of balancing off the investment that an industry puts into new equipment versus the saving, and it cannot be done overnight. The Darlington station is going to be needed before these measures will be successful.

The other reason for completing Darlington is that it is going to be needed to meet our environmental requirements as good corporate citizens. That is really the main thrust of our environmental protection policy; to bring on that nuclear power.

Mr. Nastich: I guess part of the problem in our disagreement, Mr. Di Santo, is that you are using American experience of nuclear plants, and it is the worst in the world. It is like picking a country which has the worst record and saying,

"Why do you not do what they are doing?" Let me give you some examples.

Japan is doubling its nuclear capacity.

Mr. Di Santo: Even France is, but it is under different conditions. Of course they are going nuclear; they have no choice, I can tell you. Italy is doing it for the same reason. It is not the case in Ontario. We are talking about two completely different contexts.

Mr. Nastich: All I am suggesting to you is that there are two issues we hear about from our opponents. One is against new plant, whether it is coal or nuclear, and the other is against nuclear because of some intrinsic concern about that kind of power.

What I hear you suggesting is that nuclear power somehow has fewer benefits than it really has. When we look at nuclear power—at the first two units at Pickering, the one that had the rupture, for example—we see that plant has already paid for itself. All the investment that was made by the governments of Canada and Ontario and Ontario Hydro has been repaid at eight per cent interest. That has occurred in about 12 years.

That is a fact that means that industry and people in this province are getting electricity at much lower rates than they would otherwise.

Mr. Kerrio: That is like saying the post office pays, but you still have to have a 32-cent stamp.

Interjections.

Mr. Nastich: Look at the consumer rates.

Mr. Di Santo: I think in his way he is right. The only argument we and our friends in the Liberal Party are making is exactly this: that you are requiring the consumers to pay rates that you say are the lowest in North America, but which would be much lower if you had not embarked on the program.

Mr. Campbell: There is no evidence of that.

Mr. Di Santo: Of course there is not. It is very difficult to argue with you because you introduce another element whenever we try to pin you down on one point. Now you are saying that Pickering has paid for itself, in how many years?

If I have to respond to that, I must talk about why you are imposing rate structures that are above inflation, and contrary to your commitments and those of the ministry. If I do this, then you will introduce another element and the discussion never ends.

Let me get back to my initial point, which was this: Mr. Campbell is saying now that all of the measures that will eventually produce almost

3,000 megawatts, which is the equivalent of six Darlington, are tentative.

Mr. Campbell: That is right. We do not know.

Mr. Di Santo: You used the word "tentative," and therefore, if I understand you correctly, they are not proved or cannot be validated at this point.

Mr. Campbell: That is correct.

8:30 p.m.

Mr. Di Santo: I am saying that this is very short of the nuclear choice you made, because if you had chosen this option initially, then by now you would know exactly how many megawatts you would produce or conserve by going the other way.

Mr. Campbell: Just a minute. We have had conservation programs and our rate of power use has really declined. The big thing was the oil crisis, which caused everybody to cut back on the use of power.

There are programs for insulation and we have about eight different programs in place now encouraging both individual users and industries to save power. This happens all the time. Industries are getting much more efficient in the use of power. Home owners are getting much more conscious of that and insulating better and all sorts of things.

This is happening and it is one of the reasons our load has been as low as it has been in recent years, but there is a limit to these things.

Mr. Di Santo: Mr. Campbell, of course, we are always at a disadvantage. What we and the Liberals question is whether you are serious about conservation. We are bringing up examples of the Tennessee Valley Authority, which is another jurisdiction, but it is very comparable with Ontario.

Okay, tell me why it is not.

Mr. Nastich: In a short answer, TVA has very large coal mines right in its operation.

Mr. Di Santo: Exactly, I am coming to this point. They have many more coal-fired stations than Ontario. They embarked on a program of complete rehabilitation of the coal-fired stations and brought down the emission of sulphur dioxide from 2.5 million to one million tons a year. In fact, they were the biggest polluter in—

Mr. Niitenberg: Can I tell you what happened there? They are down to a million tons right now, but we are producing less than half of that.

Mr. Di Santo: Exactly, they did it. You said yesterday we cannot rehabilitate our coal-fired

stations and you gave two reasons—it is difficult for lay people like me—in one case they are uneconomical; in the other case they are not technologically rehabilitatable.

Mr. Niitenberg: No, if you go back to Hansard I used the example of J. Clark Keith. I said at this point, today, these plants are economically obsolete for operating.

Mr. Di Santo: That is what I said.

Mr. Niitenberg: That site can be rehabilitated and, in future, that plant can probably be rebuilt for a peaking plant. It will make it environmentally acceptable, but it is not a plant to meet economic energy supply.

You used that TVA example and I would like to make just two points. TVA still has a very large nuclear program; they have cancelled units, they have left some units partially constructed, but they are completing nuclear units. They also have coal units.

Even sitting on the coal mine and having nuclear units in their midst, their spending costs are higher. The bills they charge are higher than those of Ontario residents. In July 1984, when we ran a rate comparison, a resident of Ontario using 1,000 kilowatt-hours of electricity would have an average bill of \$48 per month. In TVA the same bill in Canadian dollars would be \$63 a month.

Mr. Di Santo: There is a difference. You know very well all the plants you are building now are not accounted for in the \$48. In the \$63, the TVA is accounting for all the plants they are building and finishing, because they have a different accounting system.

Mr. Niitenberg: I beg to differ with you.

Mr. Di Santo: Yes, there is this difference.

Mr. Campbell: That is a factual matter we can clear up.

Mr. Kerrio: Why are you comparing this in American dollars?

Mr. Niitenberg: I said Canadian dollars.

Mr. Kerrio: We are in Canada, we are paying in Canadian dollars.

Mr. Niitenberg: No, I said the comparison is in Canadian dollars.

Mr. Kerrio: What is it in United States dollars? You are inflating it terribly when you use Canadian dollars.

It is all relative. What are you talking about in Canadian dollars for TVA? What is that, an estimate?

Mr. Niitenberg: That is a comparison. We buy coal in US dollars. We convert that to

Canadian dollars. In order to get the impact on the customer, you have to put it in the same currency, whether it is US dollars, Canadian dollars, or—

Mr. Kerrio: That is a little bit advantageous for the person putting the argument.

Mr. Di Santo: I want to reiterate, to put it on the record, that you have two different accounting systems. You capitalize the costs and they are passed on to consumers when the plants are committed.

The TVA has a different accounting system and, in fact, their rates have the capital costs phased in on an annual basis. That is why the rates are higher now, but 10 years down the road I can tell you your rates will be higher than the TVA's.

Mr. Niitenberg: I am sorry, I do not have that clear a picture of what will happen 10 years from now. What you are asking for is guarantees for 1990.

Mr. Di Santo: You are committing one plant every year from now until the year 1990.

Mr. Stokes: They have a forecast.

Mr. Niitenberg: It is a forecast, not a guarantee, that we were talking about. Tell me, exactly how many megawatts of conservation are you going to have in 1996?

Mr. Di Santo: Now conservation comes into play. We are talking about the capital costs. You know what the capital costs are, from now until the year 1990.

Mr. Niitenberg: Both for TVA and Ontario Hydro, it is—

Mr. Di Santo: For Ontario Hydro.

Mr. Niitenberg: —the consumer of electricity who will pay for it.

Mr. Di Santo: Exactly. Ontario will pay in future, when the plants are committed. In Tennessee, they are paying annually.

Mr. Niitenberg: When the consumer in Ontario gets the benefit and the energy coming out of that plant, the consumer starts paying for it, and I think that is reasonable.

Mr. Campbell: There are two points there. One is that the TVA cancelled its nuclear plants. TVA is going to be doubling its nuclear capacity in the next few years. It still has about four plants under construction.

Mr. Di Santo: That is it.

Mr. Campbell: We have Darlington under construction, and that is it for us.

Mr. Di Santo: We do not know, because the minister threatened that we never know what we need in the future.

Mr. Nastich: Just as a point of clarification, because I know the chairman of TVA very well and we meet with them frequently: the cancelled plants you were talking about total about \$5 billion. That has not been paid for. That is clearly \$5 billion that the people of Tennessee are going to have to pay in their electricity rates over the next whatever period. That is a fact. That is not a matter for dispute, and if you wish I can get the TVA here to give it to you.

Mr. Di Santo: Probably I do not explain myself properly. What I am saying is that your capital costs are phased in at the moment the plants are committed. Is this clear? In Tennessee, they are phased in from year one, gradually.

Mr. Nastich: No.

Mr. Di Santo: Yes, that is—

Mr. Campbell: The method they use—

Mr. Di Santo: We have been at Knoxville and that is what they told us, unless they lied to us and I do not know why they should have.

Mr. Campbell: We can get you some comparisons on how that is handled, but the general method of charging ratepayers when the plant comes on stream is a pretty universally followed practice. Otherwise, it would be unfair. You would be charging people before the plant was in service, and you would get large swings in rates then; your rates would be up when you were constructing something and they would be down when you were not. The method of—

Mr. Kerrio: "Down" never happens.

Mr. Di Santo: It is a different accounting system.

Mr. Campbell: In real terms, our rates are less than they were in 1979.

Mr. Di Santo: It is a different accounting system. They have their budget and they tell the consumers, "This year this is our budget, including capital expenditures, and the rates will be X." You are saying, "This is our budget, but the capital expenditures you will pay for in future."

You are mortgaging the future of your consumers. In Tennessee they have a different—I think it is more responsive to straightforward accounting. That is a minor point. I do not want to—

Mr. Campbell: It would be disastrous for our industries and our jobs if we loaded on rates like

that up here. It would drive industries and jobs right out of Ontario, as you know.

8:40 p.m.

Mr. Di Santo: May I ask you a straightforward question? You are telling us that most likely, in a tentative way, that is the goal we will achieve by the year 2000. Can you provide this committee with—I do not know how to define it—a program of what you will do and what you will attempt to do in the areas of conservation and alternative energy?

We are really suspicious of what is happening there, because the minister does not have any money left to work on these programs.

Mr. Campbell: We will be announcing a number of those programs.

Mr. Di Santo: When? Is there any mechanism by which this committee of the Legislature can be informed?

Hon. Mr. Andrewes: The usual mechanisms, I would assume.

Mr. Lupusella: Ministerial statements.

Hon. Mr. Andrewes: As programs are announced I am quite prepared to bring the Legislature a statement.

Mr. Di Santo: That is not what I am asking, because I know you do that very diligently.

Hon. Mr. Andrewes: Absolutely.

Mr. Di Santo: But since there is no select committee that can scrutinize what is happening in Ontario Hydro and since the Ontario Energy Board has no power, as Mr. Macaulay said, "to call the boys in," how can the Legislature really know what the problems are? How can we know where in your model these figures fit and in what year?

Hon. Mr. Andrewes: You have the boys here. Why do you not ask them?

Mr. Di Santo: I am asking them, but Mr. Campbell said this is a tentative program, which means that it may very well be a dream. We do not know. They did not tell us: "In the year 1986 we are proposing to do this. We are proposing interest-free loans for retrofitting, so we expect that by the year X we will get that."

Mr. Niitenberg: There seems to be some real confusion about what we can and cannot guarantee. We do not know where that piece of conservation is going to come from, but I can tell you that we are working very hard with industry and with home owners to produce that, and we are making gains.

It is not to say that conservation is a thing that Hydro does. Conservation is a thing our

customers do. We are right now out there promoting wise use, energy conservation, and we have won a number of awards in that arena for making sizeable energy savings for Ontario industry, for Ontario businesses and so on. But if you are asking whether we are going to get 27 megawatts from some building in 1996, we cannot answer that.

Mr. Di Santo: I think that we are now at the point where we know exactly what is going on. The reason I am asking if this Legislature can have your detailed plans—because you must have plans, not just general intentions—is that we have a very deep suspicion that Hydro cannot in fact undertake a serious conservation program or develop alternative sources.

You have such a huge reserve that you are in a dilemma. If you do not sell, you either have to increase rates or waste energy, so you have to try to sell the energy you are producing now and it is not in your interests to promote conservation and alternative sources. That is the suspicion we have.

If you are in your living room and you look at the TV ads, none of them talks about conservation; they always say, "Go electric; replace your—"

Mr. Niitenberg: Your definition of conservation is to use less electricity. The generally accepted definition of conservation is to save energy where appropriate and economic. If we can, for economic and efficiency reasons, do a conversion to electricity, that is a component of overall energy savings for Ontario and Canada. We seem to have a philosophical clash on the use of those words.

Mr. Di Santo: What I am saying is your mandate is to produce energy at cost for the consumers of Ontario. Your conservation program has to be to use energy wisely, to use energy in a way that can be defined as conserving energy.

Let us not talk about coal; I know you tell me: "Coal is very expensive; let us use electricity. We will promote electricity." You promote electricity because you produce too much electricity, period. That is the point.

Mr. Niitenberg: Let us get this point very clear. We produce exactly the amount our customers want at any given time. No more, no less. We have some plant that is partially loaded, but that is the nature of an electrical system.

We are in a fundamental disagreement as to whether electricity is useful, whether energy savings in total are positive, and so on—

Hon. Mr. Andrewes: Mr. Di Santo, can I just interject just one thought here? You mentioned when you sit in your living room you do not see the demonstration of energy efficiency and so on that you might normally anticipate in the media.

I would only recommend an ad currently sponsored by the Ministry of Energy that talks about the Commerce Court building and the energy savings that have been achieved there, primarily through conservation of electricity. We have that material here, if you would like to view it.

Mr. Campbell: We do have a number of programs as well. For example, we have a program where we will work with industry and we will actually advance loans to them for energy saving. They are significant loans to industry for conversion. One of the components is not that it uses more energy, but that it saves energy in total.

If people use more energy that is produced in Ontario and keeps Ontarians working, why is that not better than using other forms of energy such as oil and gas, which are imported, or coal? I do not understand this, because I thought promoting energy and using it efficiently—not wasting it, but using it efficiently and displacing fossil fuels—was a socially good thing to do. I thought that was good for our environment. I thought that was good for our industry.

Mr. Di Santo: But we use too much energy in Ontario. You know that.

Mr. Campbell: I am saying we should use it more efficiently. Given there is so much energy that has to be used—

Mr. Di Santo: Everybody agrees with that. That is motherhood.

Mr. Lupusella: I think he raises a genuine concern, Mr. Chairman. I would like to get into a supplementary; it is in the area of conservation.

The main emphasis we would like to place before you is that there is no misunderstanding on the terminology “area of conservation,” or, “save energy through conservation.” I think we have the same definition. We know what kind of programs should be used because they were widely announced by different levels of government and so on. Even the public is aware about that—more insulation, for example, or switching from oil to gas.

The main point we would like to raise is, why, if it is concerned about conservation, did Ontario Hydro not challenge gas companies which came into the picture to convince the public to switch from oil to gas? Why did Ontario Hydro not come

out with a clear program for the public, stating that to go electric is the right way in comparison to other sources of energy like oil and gas?

8:50 p.m.

Are you telling us that the use of gas actually saves consumers dollars? That is what I do not get. On TV you come out with the slogan “Go electric,” but this slogan does not convince the consumers. We know for a fact the majority of consumers in Ontario switched from oil to gas, they did not go electric.

I believe the private companies—in this case the gas companies—used a different method. They came out with a clear program of high-efficiency furnaces and so on and the consumers bought that message. My friend tries to tell consumers something different. What kind of a program does Hydro have to convince consumers to go electric, if going electric is really the right way to go?

Mr. Campbell: I think probably the reason the majority of conversions are to gas—

Mr. Lupusella: Why?

Mr. Campbell: —is that right now in many areas that is still the lowest cost method.

Mr. Lupusella: So what are these statements now about new sources of energy? What are you starting?

The Acting Chairman: Mr. Lupusella, that was a supplementary and it has been very well asked; let it be answered, please.

Mr. Campbell: I mentioned that we have programs to encourage people to make a switch to other sources, but it is generally a question of cost. We have introduced programs—for example, the heat pump. When I was a boy, my father used to say that is the method of the future, and I think it still is.

Mr. Lupusella: Its use will increase.

Mr. Campbell: We are promoting that.

Mr. Lupusella: Why? I would not buy a heat pump if my property taxes would go higher. It is a simple procedure—

The Acting Chairman: Mr. Lupusella, you have had your supplementary question. Let the answer be given.

Mr. Campbell: The heat pump is potentially one of the most efficient methods of extracting heat. It uses heat from the atmosphere or the ground that is going to waste. It also provides air conditioning as well. A lot of people who want year-round heating and air conditioning are switching to it.

The heat pump in that situation makes a lot of sense, and we are selling a lot of them. That program is going ahead very well. But if one just wants heating at the lowest cost—yes, right now the lowest cost is gas.

Mr. Lupusella: I have another short supplementary, Mr. Chairman.

The Acting Chairman: Are you through, Mr. Di Santo? We have a limited amount of time tonight and we have several speakers carried over from yesterday.

Mr. Di Santo: Thank you, Mr. Chairman. I want very quickly to ask some other questions, because obviously we cannot reconcile our differences.

Mr. Campbell: May I first give Mr. Lupusella one fact about the conversions? We are getting one third of the conversions from oil, so we are doing pretty well. The gas companies are getting two thirds, that is true. Right now they can offer a lower price. In a few years they may not be able to. In a few years, if gas keeps going up the way it is, electricity will be cheaper than anything and then we will get—

Mr. Lupusella: But you are making forecasts; you are saying that in five to 10 years the cost of gas will be higher. You cannot play this type—

The Acting Chairman: You are out of order.

Mr. Campbell: Mr. Chairman, perhaps I can answer that. Since 1979, the real cost of electricity has dropped 1.7 per cent. Oil has gone up 55 per cent; gas has gone up 22 per cent. That is the history.

Mr. Di Santo: Why is it that you have so many court cases with insurance companies?

Mr. Nastich: What court cases are these?

Mr. Di Santo: Those where you are the plaintiff and the insurance companies are the defendants.

Mr. Burdette: Are you talking about insurance cases dealing with pole damage or other accidents?

Mr. Di Santo: For instance, I am reading here from the Supreme Court of Ontario case between Ontario Hydro, plaintiff, and Aetna Casualty and others, involving an amount of \$6,595; and 18 other similar cases.

Mr. Campbell: Those would probably be cases of people who knock over poles and that kind of thing.

Mr. Di Santo: No, it is not. In fact, I can tell you one of these cases—

Mr. Campbell: Damage to property?

Mr. Di Santo: Case 4, which was settled out of court, relates to a significant event, dated July 17, 1982, at 12 o'clock, collapse of D₂O tank.

Mr. Nastich: A heavy water tank?

Mr. Di Santo: Yes, a heavy water tank, D₂O.

Mr. Nastich: Could you go further? It might help if you told us a little more about it.

Mr. Di Santo: I can give this to you. I should not, but I will give you this.

Mr. Nastich: Is it confidential?

Mr. Di Santo: No, it is not confidential; it is one of your reports.

Mr. Kerrio: It used to be confidential.

Mr. Di Santo: It used to be confidential.

Hon. Mr. Andrewes: You do not want to see the 30-second commercial. Is this about the court case?

Mr. Di Santo: Court case 4 that was settled out of court. Now, my first question is, how come you have so many court cases that are related to other significant events, which I will not give you? I would like to know—

Mr. Campbell: How can we answer the question if you do not give it to us?

Mr. Di Santo: The question is, why did you settle out of court and what was the settlement?

Mr. Campbell: We will have to get you that.

Mr. Nastich: We will get you that. It is not a secret.

Mr. Campbell: I would just say that any large business, and Ontario Hydro is a very large business, at any given time is going to have all sorts of litigation going on. I do not think Hydro does any more of that than any other large corporation. I imagine if you examined Bell Canada or Canadian Pacific or any of them, you would find all sorts of court cases going on at any given time.

Mr. Di Santo: I would like to have a report on this specific case of the collapse of the heavy water tank on July 17, 1982, at 12 o'clock.

I understand that every large corporation has a number of litigations going on, but the question in my mind is why so many of those cases are related to significant events that are reported to you. Are they mere accidents or do they point to some deficiencies inside the system?

Mr. Nastich: You have to look at each case. If you have them, we will look at them. You have just given us one, which is the one with the heavy water tank. We will get you that information.

Mr. Di Santo: Okay.

Mr. Niitenberg: In order to be able to respond to it properly, could we have that report on the details? Otherwise, it will be very difficult to search for a 1982 report.

Mr. Di Santo: Okay, I will make a photocopy and send it to you. I can also send you the others. The only reason I am not raising them now is that I did not peruse all of them.

I have another very fast question and then I will give the floor to my friends.

Mr. Horton: Mr. Chairman, perhaps I can help Mr. Di Santo to some extent without reading the specifics of this report.

Mr. Di Santo: There is someone; I thought there would be. You always come down with an army. There is always someone who is knowledgeable.

Mr. Horton: We do carry insurance on our plants, during construction and during operation, to cover certain liabilities. The time you have to collect insurance is when there has been some event that damages the equipment under the terms of the insurance policy. When you try to collect, it is not unusual for insurance companies to try to minimize their payments in those situations, so we argue about that.

9 p.m.

It is also no coincidence that in cases where there has been some kind of damage that our staff write up a report of that damage. I would be surprised if there were insurance claims for damages to equipment in the operating plant that were not covered by significant-event reports.

Mr. Di Santo: But do you always end up in the Supreme Court of Ontario?

Mr. Horton: No, I think you have a list of those cases that did end up there.

Mr. Di Santo: Eighteen.

Mr. Horton: Is that a large number? As Mr. Campbell said, when you have a large amount of equipment, you always have a number of cases—

Mr. Di Santo: Those are the outstanding cases now, at October 31, 1984.

Mr. Nastich: If they are legitimate cases, it is a good thing. Would you not want the corporation to protect the interests of the people of Ontario?

Mr. Di Santo: I am not saying that at all, Mr. Nastich.

The Acting Chairman: Do you suppose you could bring up your questions here? You have had three questions out of order.

Mr. Di Santo: I will ask another very fast question about the tritium you are selling to the

United States. Are you concerned at all that your tritium may be used for a hydrogen bomb? What guarantee do you have that the tritium will not be used to create a bomb?

Mr. Campbell: There are two things. First, we do not think the United States government needs the help of Ontario Hydro to do anything. Second, we are covered by the export licences from the government of Canada, the Atomic Energy Control Board, and Canada is a signatory to the nonproliferation treaties and that kind of thing.

We are confident that our tritium is used for peaceful purposes—for medical research, lighting and research into fusion—and that is what it is sold for. We do not have any concern at all.

Interjections.

Mr. Di Santo: But, for instance, Lawrence Livermore laboratories in California do research for both civil and military purposes. What guarantee do you have? What control do you have? How do you check that they do not use your tritium for military purposes?

Mr. Campbell: Tritium is a relatively new commercial substance and is not covered by the same kinds of arrangements the government has for other kinds of substances, but we understand that the federal government is working on it. There will be the same kind of controls as on any other kind of nuclear material.

Mr. Di Santo: Of course, you know that another country that comes to mind, India, used the Candu reactor to build its nuclear bombs.

Mr. Campbell: Now I understand the Russians are selling them a nuclear reactor.

Mr. Di Santo: So we are in very bad company.

Mr. Campbell: We just lost the business, that is all.

Mr. Di Santo: Let us go to the other point. Can you tell us what interest was paid by Ontario Hydro during the period when the reactors were shut down at Pickering because of the pressure tube rupture?

Mr. Nastich: What has been paid?

Mr. Di Santo: Yes. The amount of interest accumulated during the time it was down because of the—

Mr. Nastich: Interest on what?

Mr. Di Santo: Interest on the capital borrowings to repair the tubes, the accumulated interest.

Mr. Campbell: We would have to check that number for you. We can work out a number and give it to you.

Mr. Di Santo: Can you give it to us?

Mr. Campbell: Yes. All I know is that Pickering has paid \$850 million back since it has been operating, and whatever the interest is would be less than that.

The Acting Chairman: Members of the committee, we have less than one hour and a half to finish these estimates. Yesterday when the committee rose there was a list of speakers.

Mr. Lupusella: Am I going to be next?

The Acting Chairman: I referred to the member for Lake Nipigon (Mr. Stokes) as second. Since I have the gavel, he will be next, but I hope, sir, you will try to keep it brief. You are on.

Mr. Stokes: Oh, I am on?

The Acting Chairman: You have been waiting since yesterday morning.

Interjections.

Mr. Stokes: I have had lots of time to sit here and reflect and condense—

Mr. Di Santo: So you were not listening to me.

Mr. Stokes: Oh, I heard you say more clearly today what you failed to say clearly yesterday.

The Acting Chairman: Try to get along, gentlemen.

Mr. Reed: Caucus unity.

Mr. Stokes: One question arising out of some of the things you said to the member for Downsview (Mr. Di Santo)—so I was listening—is that there was a possibility of using alternative energy sources in a variety of ways, but one of them was a potential to use 600 to 700 megawatts between now and the year 2000. Where are those 600 to 700 megawatts?

Mr. Nastich: Are you talking about hydraulics?

Mr. Stokes: Yes.

Mr. Campbell: We have the list.

Mr. Nastich: Little Jackfish is one.

Mr. Stokes: Can you give me a list of them?

Mr. Campbell: Yes. Have you got it there?

Mr. Reed: While you are looking for that, do you know off the top of your head if you are going to continue using the little plant in the riding of the member for Grey (Mr. McKessock)?

Mr. McKessock: Eugenia.

Mr. Reed: Are you going to keep Eugenia open?

Mr. Nastich: I cannot give you the answer to that.

Mr. Reed: It has a four-mile wooden fence on it that is going to need replacing in another couple of years.

Mr. Nastich: It is out of service now.

Mr. Reed: Is it shut down now? It was running a year ago.

Mr. Nastich: It was running one unit and then the one unit—

Mr. Stokes: You can give me a copy of the list, or whatever.

Mr. Burdette: There are two plants on Little Jackfish.

Mr. Stokes: Two on Little Jackfish?

Mr. Burdette: That is right. One on the Abitibi and four on the Mattagami. That is it.

Mr. Stokes: That is it.

Mr. Burdette: That makes up about 650.

Mr. Stokes: Yes, I understand that.

I have a list of alternative energy sources that was compiled by the Ministry of Energy and released to the House by the Minister of Northern Affairs (Mr. Bernier). They cover a variety of things, most of them in the north.

There is the Petro Sun gasifier; the peat for electricity and space heating at Cat Lake; the peat for a 20-kilowatt, commercial-scale, SES gasifier in the northeast region; the Totem demonstration project in the northwest region; the wind-diesel relocation at Fort Severn, the wind-assisted diesel generation at Coniston, which you people have been monitoring; the wind power initiatives in Kortright; the Mud River wind regime wind feasibility study; the remote power program, and so on.

To what extent are you involved in wind, biomass, peat or small immersible generators? To what extent are you going to get involved, not so much by making a switch in conservation, but by providing reasonable cost power to northern communities that will never otherwise get it—by the use of indigenous resources, by the way?

Mr. Campbell: As you know, I feel strongly that we should be doing more in that area as a government and as Hydro. We work with the federal Department of Indian Affairs and Northern Development in a lot of those communities. For example, at Attawapiskat we operate the power plant. There are a number of Indian reserves in the far north and we operate the power plant for the federal government.

We work with the Ministry of Energy and the Ministry of Northern Affairs on a number of

those projects, for example, the relocation of a wind generator to Port Severn and the hydraulic at Sultan. So we would be involved, particularly in any significant ones that are producing electricity of any magnitude.

9:10 p.m.

Mr. Stokes: Would someone from Ontario Hydro and/or someone from the Ministry of Energy be prepared to meet with me and the president and general manager of Barber Hydraulic Turbine Ltd. just to see whether or not all of the things he is laying claim to are feasible or desirable?

Mr. Campbell: Sure. To the first question, we would be glad to meet with you. Second, I think we have a couple of his units in operation.

Mr. Stokes: Yes, they mention that. If they are that good, we should have more of them. Okay, fine.

I want to get into something I had raised several years ago. I have been beating my head against a stone wall. I want to refer you to the Ontario Municipal Electric Association newsletter for October 1984. I want to quote from it.

"Water rental charges increase.

"As most of you are aware, the provincial government's budget of May 15, 1984, added a \$59-million increase for 1985 to Ontario Hydro's present \$30-million water rental charge. This represents a 200 per cent increase, which has resulted in the province's electrical consumers paying an additional 1.6 per cent on their bills this year alone. Projected cost to the consumer over the next decade can be expected to reach \$1 billion.

"At the Ontario Energy Board hearing dealing with Ontario Hydro's bulk power rate for 1985, the OMEA vigorously opposed the increase. The association presented the following facts regarding the water rental issues."

I am not going to go over those. I am sure you are more familiar with them than I am. Can you give me a list of the amounts Ontario Hydro pays by way of water rentals into the consolidated revenue fund or the treasury of the province?

Mr. Campbell: Yes.

Mr. Stokes: I will tell you why I want them. You know that I have been concerned about the hydraulic generation of power on the Nipigon River system. There are a lot of people—and I do not know where the truth lies—who are saying that as a result of the manipulation of the water levels on Lake Nipigon, it contributes—I do not know how much or how little—to siltation, bank

erosion, and therefore detracts from the ability of the fishery to reproduce.

As I say, you can talk to any number of biologists and they cannot tell you. You can talk to the cruiser operators on Lake Nipigon and they say, "The manipulation of water levels on Lake Nipigon causes us not to be able to get our boats out at certain times when precipitation is low."

We get into those arguments, but we are never going to solve them. If we can dedicate at least the amount of money that Ontario Hydro pays into the consolidated revenue fund by way of water rentals on a horsepower basis, we could set up a Nipigon parkway commission in the same way as we have the Niagara Parks Commission, where Jim Allan and all his friends, since time immemorial, get somewhere between \$2.5 million and \$3 million right off the top. They say: "There you are, Jim, there is a nice little nest egg for you to get started. If you can make any money over and above that, God bless you." That is a good concept.

Interjection.

Mr. Stokes: All I am saying is the reason I want these figures from you is I have two ministers of the crown, who shall remain nameless at this time, who think it is the greatest idea since sliced bread, and I am going to push it. I want your help to do it.

Mr. Campbell: We will give you the figures.

Mr. Stokes: It will take the heat off you people because you have to generate electricity. You are going to generate at Nipigon or you are going to generate it by burning coal or by building a nuclear plant, so it is something we are prepared to live with. It is a good source of power for us, but I think we can use that to build an economic base—to broaden the base. The only thing we have in that whole area is a little bit of tourism and a whole lot of forestry, at least for the moment.

Can we get those figures from you?

Mr. Campbell: We will get the figures.

I do not want to pour cold water on the idea but I have a feeling that the numbers in dollars might be quite low.

Mr. Stokes: The last I heard it was something in the order of \$700,000. If the Ontario Municipal Electric Association is even half right—

Mr. Kerrio: Half a million?

Mr. Stokes: For what?

Mr. Kerrio: Niagara parks.

Mr. Stokes: No, it is about \$2.7 million.

Mr. Kerrio: It is \$2.7 million?

Mr. Stokes: Yes.

Mr. Kerrio: Is it that high now?

Mr. Stokes: Yes, and this represents a 200 per cent increase. I know I am talking about well over \$1 million for the Lake Nipigon watershed.

Mr. Kerrio: What do we get for that?

Mr. Nastich: The water rental rates now are about \$100 million.

Mr. Kerrio: That is like being your own grandma, is it not?

Interjection.

Mr. Nastich: It will be \$90 million in 1985.

Mr. Stokes: They say it is about \$100 million, which, over the next decade, means \$1 billion.

Mr. Nastich: We will get you the numbers.

Mr. Stokes: You were saying there was going to be—okay.

Mr. Campbell: No, I am saying if you pick out an individual river it might not tell the story. A lot of the total for the province includes the big ones like Niagara.

Mr. Stokes: I have a pretty good idea of what they are now on Lake Nipigon. I just want you to confirm it.

Mr. Campbell: We will give you those. There is one question though. May I ask questions?

Mr. Stokes: Sure you can.

Mr. Reed: Who do you want to answer it?

Mr. Campbell: I would like Mr. Stokes's views on it, particularly for the north.

Someone mentioned that because of the water rentals some smaller plants are getting marginally economical. Maybe we should be thinking about a cutoff, and with other people who are interested, persuade the government that below a certain amount you would have either a low rental or no water rental. You want to encourage the small-scale ones and at some point the water rental might be a disincentive.

Mr. Nastich: It is a tax on that station.

Mr. Campbell: I think everybody agrees the people of Ontario should be getting some return on Niagara because that is a lot of power. On a small-scale one it is probably different.

Mr. Stokes: You are saying now that other people are getting wise to this perhaps we should reassess our position. I am not going to let you off the hook.

Mr. Campbell: No, I am not saying that. I am saying the present water rentals on small-scale plants—and they were just increased in the last

Ontario budget—might make the development of some of those plants less economical than they would have been and so it might be a disincentive. It might be in the interest of everyone, including Hydro, the government and the public, to say we will charge water rentals on the larger systems but the smaller ones will have either a different rental or perhaps none at all if they are very small.

Mr. Stokes: There is no one form of generation that has to stand on its own two feet within the Hydro family.

Mr. Kerrio: Do they charge water rental for the cooling water for the nuclear plants? Is this the same thing?

Mr. Stokes: No, it is on the horsepower generated.

Mr. Campbell: The theory is if you have a waterfall on your property it is like power. It is like having an oil well.

Mr. Kerrio: Rent it out.

Hon. Mr. Andrewes: Mr. Kerrio, do not give the Treasurer (Mr. Grossman) any new ideas.

Mr. Stokes: Yes, right.

Mr. Kerrio: No, I want him to stop charging us.

Mr. Campbell: When they use that water they are taking the power out of it. There is no power used in cooling water.

Mr. Kerrio: Actually they are putting power in.

Mr. Stokes: After we get finished with the Lake Nipigon thing, the minister and I will go and look at Ball's Falls.

Hon. Mr. Andrewes: There will definitely be seasonal water rentals on Ball's Falls.

Mr. Stokes: I do not want to monopolize this but there is one final question. You have a distribution system running from Ear Falls generating station up through Moose Pasture, something in the order of 130 miles, all the way up to Pickle Lake; and that line causes no end of problems. Maybe because of the efficiency of Hydro's northwestern director, Jack Hamer, and some of his cohorts, you do not get to hear of them, but I do. We had one recently in which power was off for over 16 hours. It was just lucky it was not in the middle of the winter.

9:20 p.m.

You people, in your wisdom, took two linemen out of there. There are ice storms, bad driving conditions and conditions where you cannot fly either by helicopter or fixed wing

aircraft. It is one hell of a job for your people, as dedicated as they are, to get in there to find the trouble. If they cannot fly the 130 miles they have to go by skidoo—all the way from Pickle Lake over to Ear Falls—because that is where the feed comes from.

Why can you not put a guy at Pickle Lake? You always had one there until very recently.

Mr. Campbell: We have been cutting back and have reduced staff by 2,000 in the last year and a half.

Mr. Stokes: Leave it as 1,999.

Mr. Campbell: We will take a look at that. I appreciate that it is a very long stretch.

Mr. Stokes: Sure it is. Thank you, Mr. Chairman.

The Acting Chairman: Members of the committee, when we rose yesterday I was on the list to ask questions; I was not the chairman. I assume I have the permission of the committee to ask a couple of short questions?

Mr. Stokes: Yes, I can attest to that. In fact, I will take the chair if you want.

The Acting Chairman: Just a couple of very minor questions.

I hear so much these days about Ontario Hydro being a liability to Ontario's credit rating. I wonder if you gentlemen can tell me what our assets and liabilities are at this point?

Mr. Campbell: Our liability is \$20 billion and the current value of our assets is \$37 billion. That is pretty good. That is like having a \$50,000 mortgage on a \$100,000 business that produces revenue.

Mr. McKessock: Are there many buyers for your business?

Mr. Campbell: There are lots of buyers for our power. We sell \$4-billion worth a year. What we sell more than pays the mortgage.

Mr. Reed: By way of supplementary, why do we not get at it a little more closely? What is your debt ratio right now?

Mr. Campbell: It is 0.84.

Mr. Reed: I remember asking a senior executive of a very large corporation—which shall remain nameless for the moment—what he thought. He said his company was afraid because their debt ratio had slipped up to 0.5. I asked, "What would you say about a company whose debt ratio was 0.7?" That shows you how far out of date I was at the time. He just turned to me and said, "Irresponsible."

Mr. Campbell: No, that is not true. He did not know what he was talking about, with respect. All public—

Mr. Reed: It is amazing. He makes an awfully big salary for an awfully large corporation—

Mr. Campbell: All public corporations and all public—

Interjections.

Mr. Campbell: In Canada, Ontario Hydro has one of the lowest debt ratios and we are in sounder shape, with respect to debt, than most other utilities in Canada. That is what results in low-cost power in Ontario and that is one of the great economic benefits the province has. It has public power.

Mr. McKessock: What about the 8.5 per cent increase in rates?

Mr. Campbell: The gas people say if Hydro were operated as a private corporation, using the kind of ratios you are talking about, our rates would be 80 per cent higher than they are now.

Does one really want that for Ontario? Is that what the member is suggesting? He had better think about it. That would destroy our industries, destroy jobs. One of the great economic ace cards Ontario has is that we have low-cost power, and the reason we have it is because it is backed by the government.

Mr. Reed: That is wonderful and you have me almost persuaded that it is wonderful, but—

Mr. Kerrio: Who made this comment? Whose analysis was this that it would cost that much more? If it was the private sector—

Mr. Campbell: The gas companies were saying it. They want Hydro's rates higher.

Mr. Kerrio: We are talking about the way Hydro is run now, not the way it would be run efficiently if it were a private enterprise.

Mr. Campbell: They were saying that our hydro rates were too low. They wanted higher hydro rates.

Mr. Kerrio: But you just got rid of 2,000 employees. That proves you had 2,000 too many, and you only touched the top.

Mr. Campbell: The member can look at their submission to the Ontario Energy Board.

Mr. Kerrio: No, I do not buy that.

Mr. Campbell: They want higher hydro rates. They are very short-sighted.

The Acting Chairman: Thank you, Mr. Campbell, for your answer. Could I ask you another loaded question? How do rates in Ontario compare with our sister provinces or the adjoining states? Could you give me just a brief synopsis?

Mr. Campbell: Yes, we can give you that—

Mr. Di Santo: I have a supplementary.

Mr. Kerrio: No, you cannot.

Mr. Di Santo: Just a short supplementary.

The Acting Chairman: Wait until I get the answer to my question, please.

Mr. Campbell: I have a comparison. I pulled it out earlier when the member for Niagara Falls (Mr. Kerrio) asked me a question about how rates in different countries could be compared.

A study on electricity prices throughout the world was done in Britain. Comparing different currencies and exchange rates is pretty hard, so they decided to compare the time one has to work at the average wage in a country to pay for a kilowatt of power. That puts everyone on the same basis. It adjusts for the currency, for different salary levels and all that. They found Ontario was the best in the world.

Mr. Kerrio: I will extend that one little bit further.

Mr. Campbell: Let me give you some of the numbers first.

Mr. Kerrio: No, do not give me any numbers. Let me tell you this.

Mr. Campbell: I am answering the chairman's question.

Mr. Kerrio: Do not interrupt me. Hold it. Let me make my point. My point is that you are comparing these rates with all the other jurisdictions in the world, which is very smart business. What you should compare them with is all the other jurisdictions across Canada and then you will not look so good. Just start right there. Just read it. It is not like they are when they compare with Timbuctoo or some place.

Mr. Campbell: What do you think is a good jurisdiction?

Mr. Kerrio: British Columbia—

The Acting Chairman: Could we have Mr. Campbell's answer, please?

Mr. Nastich: Pick one.

Mr. Kerrio: How about Quebec?

Mr. Campbell: If Ontario Hydro has an index level of 100, on that scale, the hours worked to buy electricity—

Mr. Kerrio: Oh, you are back to your—

Mr. Campbell: —then Hydro-Québec is 111, Commonwealth Edison in the US is 303, and Con Edison in New York is 506. Then do you want to go—

Mr. Kerrio: At the top of Kilimanjaro it is probably about 12 times that high.

Mr. Campbell: Sweden is about 131.

Interjection: New York is not Kilimanjaro.

Mr. Kerrio: Well, you are going that high.

Mr. Campbell: Japan is 430. Ontario is the best in the world, on that kind of comparison.

Mr. Kerrio: Yes, but compared with other jurisdictions in Canada, we are not that far ahead.

Mr. Stokes: The Ontario municipal average is 47 per kilowatt hour, Montreal is 39 and Winnipeg 34.

Mr. Watson: How do you justify that 111 versus 100, in your scale, if the one he gives us is 47 versus 39?

Mr. Reed: That is the difference.

Mr. Stokes: Because he compared offshore—

Mr. Watson: No, he compared Quebec.

Mr. Kerrio: Well, that is good business. I admire what you do. That is your job. With 100 people in public relations—

The Acting Chairman: Okay, Mr. Di Santo, do you have a supplementary?

Mr. Di Santo: Very brief and very sharp, on the debt ratio.

Mr. Kerrio: Wait a minute. How did you get—

The Acting Chairman: Why did I not get my question answered?

Mr. Di Santo: How can you say that 0.84 is comfortable when Task Force Hydro recommended that the debt ratio should not exceed the 1972 level, which was less than 0.77? That was what the task force recommended.

Mr. Campbell: You are correct. Task Force Hydro did recommend a lower debt ratio. That is a trade-off. You can have that. It is easy to do that. All you have to do is increase your rates. Every year we go to the Ontario Energy Board. We lay all that out and, by and large, over the last 10 years we have followed the OEB, in all but two years.

Mr. Kerrio: During the two years there was a 25 per cent increase.

Mr. Campbell: The recommended rate increases—in fact, I think you have argued they should be lower, and if our rate increases were lower, the ratio you are concerned about now would—

Mr. Reed: I think the objective is to try to find some basis of comparison, in terms of the soundness of the corporation. I realize it is a little simplistic for us to say that this is a crown corporation and it is owned by the people, so it does not matter if it has a relatively low equity

compared to, say a stock corporation which has to pay dividends to its shareholders.

I think the problem we have is in finding a basis of logical comparison, if that is possible, between a corporation the size of Ontario Hydro with its particular debt ratio and how it is arrived at, and another corporation with its particular debt ratio. In fairness, I think that is what we are trying to get at.

9:30 p.m.

It does not sit very comfortably with me to say that just because one is owned by the people it can be in worse financial shape and get away with it, as compared to the other. Conversely, if you say that if the debt ratio is going to improve, it is going to mean increases in rates to do it, I can say back to you again that, because you have allowed the debt ratio to slip, you have artificially kept those rate increases below what they would have been had you maintained the financial integrity of the corporation.

Mr. Campbell: You are talking about public corporations now. We have a very interesting slide here, if you will just bear with us a minute until we find it, that shows exactly the kind of issue you are talking about. I would like to put it up if I could.

Interjections.

Mr. Campbell: These are the debt ratios. You asked us to compare them with other provinces in Canada, and, there you are, it shows Ontario as 0.84.

Mr. Kerrio: It is not all that hot when you think that you have more customers than anybody else does. The only one we compare with is Quebec, and it is better than we are.

Mr. Campbell: Wait a minute now. This has nothing to do with size. This is ratio; it has nothing to do with size.

Mr. Kerrio: I am talking about the debt ratio, and that will relate to the cost of power as well. It is the same thing; Quebec will be better than us.

Mr. Campbell: No, Quebec is not.

Mr. Kerrio: In power cost?

Mr. Campbell: That is right.

Mr. Kerrio: Oh, by your method of calculation, but not in real Canadian dollars.

Mr. Campbell: It depends on whether you look at industrial rates or private rates.

Mr. Kerrio: Dollars. Canadian dollars. What the hell can we look at?

Mr. Campbell: Quebec charges residential customers more than we do, higher rates.

Mr. Stokes: No.

Mr. Campbell: Yes.

Mr. Stokes: Here is your own document.

Mr. Kerrio: Your own document tells you Quebec supplies power more cheaply.

Mr. Stokes: Yes.

Mr. Kerrio: You have only one decent comparison, and that is the province of Quebec; everybody else is incidental. In Saskatchewan I think they have two power plants.

Mr. Nastich: I find it interesting that it is extremely distasteful for you people to accept that there is anything good about Hydro.

Mr. Reed: That is not true. You become very defensive, Milan.

Mr. Kerrio: Ah, now they have found a new way of calculating. Are you considering lifestyle in here too, to realize that it might be nicer to live in some of these other places even though the power—

Mr. Campbell: Yes.

Mr. Nütenberg: Where would you rather be?

Mr. Kerrio: That is exactly what I mean; paddling down a Quebec river or—

The Acting Chairman: One at a time, please.

Mr. Campbell: We have answers to others. We have a question on rates and the other was on debt ratios.

Mr. Reed: I suppose if you want to put some realism into that chart, you have to look at the average income too.

Interjections.

Mr. Reed: Maybe you should compare it to the price of beer and shoes.

Mr. Campbell: That is how the rating agencies rate things. If you are rating different kinds of countries and different currencies and so on—

Mr. Reed: No, I have not seen it figured out that way.

Interjections.

Mr. Stokes: That is what impresses Standard and Poor's.

The Acting Chairman: Thank you, Mr. Campbell. I have one more question.

At what point is it profitable for a town to buy block power or bulk power from Hydro, as opposed to you people providing it for the town? Is there any cutoff size?

Mr. Campbell: You mean to set up the local utility rather than have us to supply the consumers direct?

The Acting Chairman: Yes. Is there any projected size of the town or amount of—

Mr. Campbell: We have some pretty small utilities. We have some utilities that have about one employee, although that is probably too small.

The Acting Chairman: I am wondering at what point it is viable. That is what I am talking about.

Mr. Nastich: Mr. Lane, I think it has to be done individually, because it depends on the financial condition of the utility itself.

There are some very small utilities that are in a strong financial position. They have no debt at all. There is 100 per cent equity because the growth has been so slow in those little municipalities the depreciation coming off the plant they have more than pays for any expenses they have. In that kind of utility the break-even number is different from one which has had a fair amount of growth, has had to build facilities and, therefore, there is higher financing.

The Acting Chairman: So it is on an individual basis, not on size at all.

Mr. Nastich: Yes, it is an individual situation.

Mr. Stokes: Let me give you an example. Marathon is the fastest growing community anywhere in Ontario and American Can, which owns the paper mill, used to generate a lot of its own power and bought from Ontario Hydro what it could not generate. American Can said it was getting out of the business. Its system had run down and the company was not interested in putting any more capital into it. They gave the municipality the option of setting up its own utility or letting Ontario Hydro come in. The municipality opted for Hydro to come in and it is doing a heck of a good job.

Mr. McKessock: Mr. Chairman, I did not intend to get in on this debate about efficiency, but I hesitate to stay out of it. When you compare it with facilities in other parts of the world, it may be a fair comparison but it is not that good economically. Being a farmer, I have to relate this to the farm.

You were saying if your rates were lower, your debt ratio would be worse. I know a lot of farmers in this last couple of years who have gone broke running businesses similar to yours. If they could have increased their price the way you did your rates to improve their debt ratio, they would still be in business, but they cannot do that. You are in a unique position in being able to increase your rates to improve your debt ratio.

You said you produce only what the consumer uses. I relate that to the farmer who is producing milk. He produces only his quota. He can have a facility, such as a barn, that would be more efficient than his old barn—farmers like to build efficient units, just as you like to build new, efficient nuclear plants. If he builds that new barn and he does not need it, he has to pay the cost of it out of his quota, just as you have to pay the cost of your plants out of your quota, which is what the consumers in Ontario use.

These extra facilities that farmers do not need are their downfall and the reason for their collapse. You are in a unique position. That will not happen to you because you can increase your rates and get out of it. It would be very nice if we could have our rates much lower than they are, even though, by comparison, they do not look too bad. What I am trying to point out here is that the efficiency is not that great, even though your rates compare.

Mr. Nastich: That is well taken, I think that is as good an analogy as one could make.

I would like to add to that. I am not going to refute your statement; I am just going to amplify it.

Our lead time on a new plant is 14 years. The lead time on somebody deciding to use electricity can be anywhere from five minutes to four or five years: five minutes in going down to the store and buying a television set or a dishwasher, four years in General Motors saying it wants to build a plant.

9:40 p.m.

Our problem is we have a 14-year lead time and our customers have a zero to four-year lead time. How do you deal with that? You really cannot say we have to wait until somebody orders the electricity, because we have found that when people order it, it does not necessarily mean they are going to use it.

There was an example in Thunder Bay in the 1960s when the pulp and paper companies told us they were going to grow very rapidly. They wanted a plant and we built the number one plant in Thunder Bay. When it was finished, the pulp and paper industry was in trouble and said, "We do not want the electricity."

We are in a situation where we have to figure out what people are going to order 14 years from now.

Mr. Stokes: Then Steep Rock closes.

Mr. Nastich: When you hear about a plant that we might start in 1986, for example, it will

be the year 2000 before it opens. People ask, "How come you have this surplus?"

Is there anyone in this room who can tell me what interest rates will be two weeks from now? What will the interest rate, the inflation rate and the employment rate be? Those are all factors which have an effect on us.

The utility business all over the world has surpluses. It is not only Ontario Hydro, it is also Hydro-Québec and Manitoba Hydro. You can say everybody in the utility business is crazy, but they are working on 14-year lead times with very short demand times. The problem for us is to speculate on what is going to happen.

The petrochemical industry has had a 60 per cent surplus since 1979. Half the plants in the United States are closed down. The petrochemical plants use electricity so somebody in the utility business had to build a plant in order to supply them. When they closed down, they did not go to the utility and say, "Sorry, we will pay you for building that plant." They just say, "We do not want it."

In 1982 Inco was taking one third of its normal electricity supply for about nine months during a strike. We had a plant for 180,000 kilowatts and were down to 30,000. We had a surplus. What do we do about it?

We have surpluses in farm products, in gas, in petrochemicals, we have a glut of oil, and we have a surplus of people in this country unemployed, all not using electricity in industrial plants. We fear here it is terrible to have a surplus.

The utility business has to do two things. It has to be there when you want it—which means frequently you have more than you really want—and, second, the price has to be right. On those two counts, the luckiest people in the country are in Ontario.

Mr. Lupusella: I have a supplementary on this, Mr. Chairman, if I may.

Mr. Nastich: That is the point I am making. I have a problem of a 14-year lead time and a zero to four-year notice of demand.

Mr. Lupusella: I have a very short supplementary. I do not think we have a problem in supply. I think the problem is that it costs a lot of money to shut down a nuclear generating station. Why do the policies of this government and Ontario Hydro—which are 100 per cent pro-nuclear—not change in favor of hydraulic generating stations, which can be shut down at any time at no cost whatsoever?

Mr. Niitenberg: To shut down a hydraulic unit has a bigger effect, if a hydraulic unit is not

available, on our customer rates than shutting down a nuclear unit. If you ask your colleague, Mr. Reed, I think he would accept that point, because the differential is the fuel charge. Even with higher water rates, big hydraulic is still extremely economical and extremely reliable. We could run every one of those units flat out.

Mr. Campbell: That is an academic question. We would have preferred hydraulic plants all along.

Mr. Lupusella: Then why do you not build them?

Mr. Campbell: We have already taken all the water they will let us take from the Great Lakes.

Mr. Lupusella: You are moving to nuclear generating stations more and more.

Mr. Niitenberg: Let us not lose sight of the fact that in order to have a hydraulic station you need two things. You need a waterfall and you need water. In some cases you have one but not the other.

Mr. Lupusella: Do not tell me the technological background on this. I can tell you it is cheaper to have hydraulic generation—

The Acting Chairman: We have to carry on.

Mr. Campbell: We are not against that, but it is a question of what is practical.

Mr. McKessock: I appreciate your explanation. Maybe, in future expansion, you might think a little more about hydraulic, as has been mentioned, and make sure we keep places like Eugenia running and maybe buy hydro from somebody like Julian Reed at a better rate to encourage people to develop these water plants which do not take a 14-year lead time.

I think we have been scared off over the years with the threats of brownouts and blackouts which I do not think are necessary. Maybe we should not be threatened like that. I think there is a lot more energy saving out there that we have not tapped as yet. If we were squeezed, we could get by with a lot less hydro than we are using.

Mr. Nastich: We are making the assumption that a Pickering station will be saved in conservation by the year 2000.

Mr. McKessock: Exactly, and if we had to wait another couple of years until you got that plant built, I am sure it would not be hurting that badly. When I look out the window here in Toronto at night and see all those lights burning, I know there is a tremendous amount of power use which never stops.

Mr. Kerrio: Why do you think they are smiling?

Mr. Campbell: We do not disagree with that. Yesterday we talked about small hydraulic, we talked about conservation, we talked about better incentives for generation and small hydraulic. I would like to have a total hydraulic system if we could have one. We just do not have enough water to do that. You know these lakes; you need falling water.

The potential for further hydraulic development is very restricted, for environmental reasons. It is going to be very difficult. It has taken 12 years to get a transmission line to try to develop some of the hydraulic sites in the north. There are terrible environmental problems there.

In theory, you can say we have the Albany River, the Severn River and Moose River, but I will take you out and fly you around there. It is like a prairie. If you start to harness those rivers, you are going to create huge diversions of water. I do not think we are going to see that in our lifetime.

Mr. Reed: Just by way of supplementary, let us just get away from the megaconcept or long-distance transmission for a minute and deal with 15 sites in southern Ontario. I just forget what they add up to, but they have been closed down and abandoned, or bombed out, or whatever, over the course of the years.

Up in John Lane's riding there is the Kagawong Power installation that still has the equipment sitting in place, although the wooden penstock has dropped out. I have walked through it and over it and under it and all the rest of it.

Mr. Nastich: What does that all add up to, Mr. Reed, do you know?

Mr. Reed: I do not know how many megawatts it adds up to but what I am suggesting is simply this. When you are talking in realistic terms—and I was very impressed with the opening statement of the chairman about exploring all of these optional avenues—it seems to me you can no longer make a blanket statement about those options and say there are no more, or that there are tremendous long-distance transmission problems with hydraulic plants.

Mr. Nastich: In the north.

Mr. Reed: Yes, that is right, because then you have to start qualifying because we all understand, if we understand a little modicum about hydraulics for instance, that it is all site-specific, sufficient unto the day is the evil thereof, and wherever you happen to be.

However, the fact is that, with all the good works we have exchanged over the years, these sites still sit idle, they still sit unredeveloped.

Some of them sit with the equipment on them, some without, some with half the dam and some with no foundations left, and so on.

If we really want to address your opening statement, we have to get away from the megaconcept and start dealing with the individuality of these things.

We achieved something with the restart of Galetta. Now you tell me you think Eugenia is shut down.

Mr. Nastich: I was wrong on that.

9:50 a.m.

Mr. Reed: You say it is not shut down. Okay, but there are a lot of other sites that are worth restarting. I have asked for plans for some of them and I have some of the specifics on some of these places, but there has never been any effort made by Hydro to ever really go back and look at them. As well, there has never been any effort made by Hydro to offer these other sites for sale.

Mr. Nastich: If they are under two megawatts they are open to anybody.

Mr. Reed: There is half a megawatt sitting at Kagawong. I have explored that one and it was dilly-dallied with until there were some trades made with the municipality or something, and now the thing, for all intents and purposes, has evaporated as a potential restart.

I do not know what the situation is in Bobcaygeon, but there is a restaurant on one side of the dam and on the other there is a transformer station that would have to be removed if you are going to reinstall about 1.5 megawatts in there.

I have not seen any real effort by Hydro to get serious about those sites.

Mr. Campbell: That is not fair. We have the Guelph dam and the Fanshawe dam.

Mr. Reed: Those are incredibly high unit-cost demonstration projects—

Mr. Campbell: That is right.

Mr. Reed: —that were never intended to be an economic demonstration. They were intended to be mechanical demonstrations, and I think we should put that on the record.

I went through this with your buddy, Bill Morison, who was here giving me the gears about the cost per kilowatt of unit hydraulic stuff. I had to point out to him that these were demonstrations of mechanics and had no relationship to economics whatsoever.

Mr. McKessock: Mr. Chairman, I have a couple of small problems I want to bring before you. The first one, although small, is a life and death situation.

It is a matter of time before someone is going to freeze in my riding, and probably in lots of other ridings, when Hydro shuts off the power because of unpaid bills. I certainly know you are not running a welfare system, but this is something that has to be brought before yourselves and the Ministry of Energy in co-operation with the Ministry of Community and Social Services. Something has to be worked out.

I get numerous calls that the hydro has just been cut off or that it is going to be cut off. They are usually welfare cases; that is the problem. They have not paid their bill so the hydro is cut off. I call Hydro and work out some arrangement so that the bills will be paid over a prolonged period of time. Then, if they miss one of those payments, the next day it is cut off again.

I know this is a problem for Hydro. I am talking about right in the country.

There is another problem with the public utilities. They bring this to me, too. They say, "We have to cut them off as well." They come to me and ask, "Cannot something be worked out between Hydro and the Ministry of Community and Social Services?" Of course, when the electricity is supplied through the utilities it is kind of at arm's length from you, but there are cases out in the country involving direct customers of Ontario Hydro.

I know some of these days someone is going to freeze to death. I wonder just what can be done about it.

Mr. Campbell: Our policy is that we lean over backwards if people make any attempt to pay or even make partial payments towards the thing. There are people who just thumb their nose at us and say, "We are not going to pay." That is a problem, but I get a lot of correspondence across my desk.

I will tell you, we lean over backwards. Sometimes it has been months and months and they have not replied to letters. They just refuse to pay.

Mr. Nastich: All we want is some time payment on it.

Mr. Campbell: If there is a problem with welfare or anything such as that, we lean over backwards in such cases.

Mr. McKessock: I am suggesting you communicate with the Minister of Community and Social Services (Mr. Drea). I think I have a letter mailed to the Minister of Energy right now. There has to be something more worked out than there is now because it happens too often.

I do not think I should be negotiating these things. I feel that something should be in place

through the Ministry of Community and Social Services so that Hydro could supply electricity to these people rather than shutting off the power.

Hon. Mr. Andrewes: One of the toughest situations we as members face—and I have faced it myself on occasions—is not so much a problem of someone having their hydro cut off, it is the problem of their moving into a new residence and having to pay a deposit because of a poor payment record. That deposit can vary. It depends on what that payment record has been.

I do not blame the utility for trying to seek some upfront protection, but often we find situations where the \$100 or the \$50 is really beyond the power of the individual to raise all at once to put down towards a utility bill they may be paying in the future.

Mr. McKessock: This compounds the situation.

Hon. Mr. Andrewes: What you are suggesting is that the Ministry of Community and Social Services, in conjunction with the municipalities that administer the welfare payments, work out some system where a portion of the monthly welfare bill can be directed towards the utility to pay the utility's bill.

Mr. McKessock: Right. It should be paid directly to Hydro, then we would not get into this.

Mr. Stokes: Talk to Frank Drea.

Mr. McKessock: It has to be worked out between the two ministries. Certainly the deposit compounds it. Usually when they get behind, before the utility will turn the hydro back on they must pay this deposit as well. Rather than just paying the bill, they have an extra deposit to pay.

If this were worked out through the ministries and was paid directly to the utility, they would not have to worry about a deposit either.

I had one call last week. The caller said Hydro had asked for a \$250 deposit yet he was not behind in his bill. I guess he had to have been behind at some time or it would not have been asked for, but currently he is not behind. I said, "Let me know when they shut it off." I do not think they will as long as his bill is paid up, but he told me they want to shut it off.

Mr. Niitenberg: I have a question of clarification. Was that Ontario Hydro or a municipal hydro?

Mr. McKessock: It was Ontario Hydro, but I have had both situations. I have had municipalities come to me with this same problem saying that something has to be done about it. They would like to be paid directly as well.

Mr. Stokes: Bell Canada has the same policy.

Hon. Mr. Andrewes: There is a general policy of utilities, both hydro and gas, that where there is a risk of a family being without heat or light or this type of thing—the necessities for that family to get along—you will find the utilities are most co-operative.

Mr. McKessock: I am saying it is happening with Hydro and it is a matter of time before someone freezes.

Mr. Campbell: I have been there only a short time, but I must say the cases I have seen have been people who just refuse to pay, ignore letters and just will not deal with you. That creates a problem. In those cases where people have been willing to make an effort or have an explanation or even make partial payment or whatever, our people lean over backwards.

We will take another look at it.

Mr. McKessock: I know from talking to your people in the office you can tell some of the girls are frustrated with the situation. They have been dealing with it a lot longer than I have. Still, as I say, it is going to happen some time and no one wants that to happen.

Perhaps we could work out some way in which the money would go directly to the utility, because evidently they are not responsible for handling the money.

I have one other little item here. This was to do with the public utilities. They are concerned about the off-oil program now, which is costing them money.

When some of the small utilities' customers ask to change on the off-oil program, they have to put in new lines and new transformers and they have to go out and borrow money to do this. This off-oil program is a burden to them because of this.

10 p.m.

I believe I have a letter to the minister on this, about the small utilities, asking whether there is any way they could get assistance. They have to upgrade their lines and their transformers because of the off-oil program. They do not get the return right away; it is a long-term thing.

Hon. Mr. Andrewes: The only comment I can make on that is that it is not run like any other business. Where there is growth and necessity to finance that growth, there is also a new type of budget. The income from the increased sales certainly should offset the costs of that growing overhead.

Mr. McKessock: It has made a big change to the utility because they did not need that amount

of power until their customers installed electric heat. That is the problem.

Mr. Reed: Just keep them going on propane.

Hon. Mr. Andrewes: Maybe they could make some financing arrangements with their suppliers.

Mr. Stokes: Suppliers of equipment or of power?

Mr. McKessock: Ontario Hydro? This is why I bring it up.

Mr. Nastich: I do not know about that municipality, but the figures show that the equity ratio of the municipalities in Ontario is about 90 per cent equity and 10 per cent debt. Many small utilities in Ontario are 100 per cent equity, so their financial condition is very strong.

It is like owning a factory that is mortgage-free and is returning you money. They are reluctant to borrow some money on the short run in order to finance those facilities, which is the way utilities do it.

I do not know which utility you are talking about. It may well be one that has a debt. But, characteristically, in total it is 90 per cent equity and 10 per cent debt, which is an extraordinarily strong financial position.

Mr. McKessock: I think that is true and that is the way they want to keep it.

Mr. Nastich: That is right.

The Acting Chairman: We have a few minutes left and we have two speakers. Mr. Kerrio was really first in line but, seeing there were so many interjections from that particular table, I will let Mr. Lupusella go for 10 minutes. Then I will cut you off and Mr. Kerrio will—

Mr. Kerrio: Excuse me, a point of order.

Mr. Lupusella: Come on, Vince, let us not waste time.

Mr. Kerrio: On a point of order, I must waste a little time. I have been very diligently waiting here—

The Acting Chairman: You interrupted.

Mr. Kerrio: Your group used up considerably more than half—

The Acting Chairman: I am going to cut him off in 10 minutes.

Mr. Kerrio: Did we not have a list? It was Mr. McKessock, Mr. Reed and then I.

The Acting Chairman: Yes, we did, but we were interfered with quite a bit there.

Mr. Kerrio: I do not understand how this gentleman could get on the scene.

Mr. Lupusella: Because two Liberals cannot speak at the same time.

The Acting Chairman: Gentlemen, time is running.

Mr. Lupusella: Mr. Chairman, thank you very much. The point I would like to raise with Ontario Hydro is within the general theme of your mandate, which is to provide electricity to the consumers and citizens of Ontario at a lower rate and also to make a contribution to the growth and development of the province within the economic infrastructure.

Maybe one point which was not touched upon was research and development at Ontario Hydro. I am raising this particular point, first, because it is consistent with your mandate as a public utility for the citizens of the province. The other reason is that if we take into consideration, for example, the Candu reactor, which is a creature of Atomic Energy of Canada Ltd., run by Ontario Hydro, based on the past history of the way in which this reactor has been run, with all the accidents, problems and so on, we have been saying previously we are very critical of Ontario Hydro. We have our reasons for being critical.

The question I would like to pose is, with all the brains Ontario Hydro has, engineers, staff and everyone, why was there no emphasis placed on research and development? I did not see it myself, unless you can show me otherwise.

I can touch upon the principles from different angles and tangents. For example, research and development. Just to go back to my previous statement about gas companies, they came out with the principle of high-efficiency furnaces; they were able to convince the consumers to switch from oil to gas for reasons they have enunciated for years now—since the 1980 oil crisis and so on.

Research and development is so important because with all the billions of dollars Ontario Hydro has at its disposal it can, first, come out with good projects which can be implemented in the province; and, second, it can utilize the province's brains—the students, the academic people leaving universities, those in the technological field and so on—to develop programs. Then I can easily say you are satisfying the mandate you have: to provide electricity and make a contribution to the economic growth of this province.

You are not making a proper contribution to the economic growth of the province.

First, I was fascinated by the case which was brought to your attention by my colleague, the collapse of the D₂O S and I tank. Was this tank

made of steel or what? Is D₂O corrosive enough to cause the collapse of the tank? I really do not understand.

You have all those engineers on your staff, all those supervisors who are continuously monitoring the systems and so on. With my technological background, I cannot foresee the collapse of a D₂O S and I tank. Can you give me a clear explanation why those brains could not foresee the collapse of the tank?

Is heavy water so corrosive it can cause such a collapse? What did it? I am sure the tank was made of steel, was it not? It was not plastic. Can you give us a simple explanation, with all the brains that exist within Ontario Hydro?

This case was settled out of court, before the Supreme Court of Ontario. What was it, a collapse of a tank as a result of heavy water, a malfunction of a valve? Where is your research and development expertise and where are all the engineers employed by Ontario Hydro? Tell me.

Mr. Campbell: Mr. Chairman, we offered to get some information on these court cases. I do not think that has a lot to do with the research and development program of Ontario Hydro.

Mr. Lupusella: No, no, it was just to make reference to all the experts employed by Ontario Hydro regarding the collapse of a tank. It had nothing to do with research and development.

Mr. Campbell: But you were asking about research. Our people do a lot of research. We have a large research capability.

Mr. Lupusella: What are the major projects of this research and development? How can the younger generation, leaving universities and colleges, use the expertise of Ontario Hydro to plan their future in relation to research and development? Give me a concrete plan. Do you have any? Are the plans written on paper—

The Acting Chairman: Let him answer.

Mr. Lupusella: I am trying to expand, Mr. Chairman. I am looking for a concrete answer.

10:10 p.m.

The Acting Chairman: Let him answer your question.

Mr. Campbell: We could give you quite a detailed presentation on a large number of research projects that have gone on there, including large-scale transmission of power. We were the first jurisdiction, I believe, because of our research, to transmit 500 kv. That technology is used all over the world.

In fact, at any given time we have our engineers working in a number of different countries in the world—on hydraulic systems,

transmission systems, nuclear systems. I am talking about large-scale examples. We have small scale. We have developed more efficient heat pumps and more efficient electric motors. A lot of work has gone on there, and we will be happy to give you details.

Mr. Lupusella: How do you now co-ordinate this research and development with young people leaving colleges, universities and so on?

Mr. Campbell: I will give you one other example because it is topical. You know of the scare about polychlorinated biphenyls poisoning the environment. Our people invented a unit that destroys PCBs. We are selling it now to other places. We have just made a deal to sell one to British Columbia. I am sure there will be a market all over the world for this because this is a problem all over the world.

Our research people solved that problem. They know how to dispose of PCBs right now. That is a very important contribution. I think you are right there. We have a large contingent of young people doing the research. A lot of them are very young engineers.

Mr. Niitenberg: It is a chemical process which combines the PCBs with sodium, turns it into table salt and allows one to reuse the oil, and it works.

Mr. Reed: Is this being sold to the Ministry of Environment?

Mr. Niitenberg: Yes. They are participating. We have just built a mobile unit on Kipling Avenue and we have our research labs.

Mr. Reed: This comes as brand new news to me. Some of us have been very out of tune.

Mr. Lupusella: I was aware of that.

Mr. Niitenberg: We have been sending out releases and we have invitations for tours at the facility, if you are interested. It is a very sophisticated facility that takes low-level—and I stress that—PCB-contaminated oil and totally purifies it, leaving a neutral substance and reusable oil. It does not destroy any of the oil.

Mr. Reed: Is this technology now on line commercially?

Mr. Niitenberg: It is mobile on line. The prototype has been built. It has been proven that it works. It is now in the hearing process in terms of being put into commercial use.

Mr. Reed: So our PCB problem, for all intents and purposes, has been licked?

Mr. Niitenberg: No.

Mr. Nastich: This is for the oil and its low-level PCBs. There is still a problem with the

windings that have PCBs concentrated in them. That is not solved yet.

Mr. Reed: If I think back, it has been the oil-burning controversy in the cement kilns and so on that has been the problem.

Mr. Niitenberg: Yes, that is right.

Mr. Nastich: It solves that problem.

Mr. Reed: That is over now?

Mr. Niitenberg: This particular unit is a batch process, which is a very desirable one. In other words, you load it up, do a thorough analysis of the amount of PCBs in it, set the process going and, when it is finished, you have a tankful of clean oil and sludge. The sludge goes through the filter. You can analyse the oil for the presence of PCBs and say: "Yes, it is okay" or you put it through the cycle again. It is provable. Every batch is analysed and proven. It is operational right now. You could go and see the facility.

Mr. Reed: That is very good news. This is the first I have heard of it. I do not understand why it has not been mentioned.

Mr. Lupusella: Just one final point.

Mr. Reed: Pardon me, Mr. Chairman, I apologize to my friend. It was just a supplementary, but I think it is probably as important a statement as has come out this evening.

Mr. Lupusella: Just one very short point, if I may. I cannot prolong my discussion on research and development, but I hope Ontario Hydro—

The Acting Chairman: Make it quickly, please.

Mr. Lupusella: The point I would like to raise with the minister—and my concern should be raised with him—is that electricity is sold to regional municipalities as a public utility. We have been talking about conservation and so on. I am aware that consumers are paying rent for electrically operated hot water tanks. I am also aware that each regional municipality is not replacing them, even though we now have better technology, which saves money for the consumers with less demand eventually for electricity.

Can the minister make a commitment to write a letter to each municipality in Ontario, so that all homeowners who have old hot water tanks—I am not sure about industrial projects—can have them replaced with high-efficiency units? I am sure the consumers will benefit and, in the end, there will be a saving for Ontario Hydro as well.

Hon. Mr. Andrewes: Certainly, Mr. Lupusella, as the units wear out, they are replaced with high-efficiency tanks. There are other alter-

natives, such as the energy blankets. I believe Ontario Hydro has them supplied in some areas and installed them on the older type of heaters to bring them up to a level of efficiency equal to the newer ones. Those are two approaches that have been used.

I think the concept is valid, but to direct municipal utilities to go out and replace all these heaters in total at their own cost would then be reflected in the rate that would have to be charged on the rental.

Mr. Lupusella: We are talking about conservation, and here is a good way for the consumer to save some money. Of course, in the final result, Ontario Hydro will be penalized because there would be less consumption. However, that is what we are seeking.

Hon. Mr. Andrewes: The money has to come from somewhere to purchase these new units.

Mr. Lupusella: I understand that, but it does not make any sense for consumers to pay more for something which is rented from each municipality—

The Acting Chairman: The question has been asked.

Mr. Lupusella: —and eventually they would get the right return.

Mr. Niitenberg: If I may, I would like to correct a mistaken impression concerning the performance of our nuclear plants.

In spite of the normal mechanical breakdowns and some of the problems that all plants experience, it has been exceptionally good. Among the top 10 best-performing reactors in the world in 1983, seven were Hydro's.

At our Bruce plant in 1984, the lowest availability was 90 per cent in unit 2. The other three units in Bruce A were all above 90 per cent to September 1984. I maintain that is a world-class performance. I think that as Canadians we should be proud of that, rather than knocking the technology. Even with regard to Pickering, performance and availability ranged from a low of 76 to a high of over 90 per cent, with the exception of units 1 and 2 which are shut down for retubing.

Mr. Kerrio: I would like to go at this whole question in a slightly different fashion. I think, Mr. Chairman, you might appreciate the direction I am going to take, since you spend some of your time with the Treasurer (Mr. Grossman).

Now that he is running for the leadership, he has suggested he is going to balance the budget in a couple of years. That sort of brings into question whether it is the case that the former

administration was so badly run or that he will run a new one much better. I have to think that maybe Ontario Hydro is in much the same situation, in that if we are going to talk about efficiency, we have to talk about a new commitment.

10:20 p.m.

From our point of view, we criticize you, and yet you are not authors of what you do. You have a mandate that gives you certain areas in which you can function that I think should more properly rest with the Minister of Energy. However, I suppose it is much easier for government to slough them off on Ontario Hydro. We now have so many people doing the same things. When you commented about the private sector doing things, I took a little exception to it because there would be a lot of things you are doing in Ontario Hydro that the private sector would not be doing.

I think the fact that you let 2,000 people go over the last year and a half or so with a golden handshake, reducing your staff by that much—even in the face of building more and going on with what you are doing—only proved to me that there was considerable excess staff.

When I make that comment, I say it with the greatest respect because, given the mandate you have, I suppose there are no real checks and balances. I think the minister's eyebrows were raised when I suggested \$5 billion was taken from Hydro's budget by the former treasurer. In reality, it was \$6 billion. It did not seem to impact too much on where Hydro was going.

The question I want to raise with you is, in a sense, an unfair question, because having the responsibility to do some of the things you are doing puts you in a position of a very severe contradiction. I go back to some of the comments made here before. I would not think, more properly, that conservation to save a megawatt should be put in direct competition with building a new megawatt.

When we talk about alternatives, I think we should have it in another branch of the ministry. When we think about comparisons, I think you have so much staff there now you can begin to put comparisons before us here, as you have, in such a light that you can turn numbers around until they will do whatever you choose to have them do.

In reality, some of the companies you are compared with for energy costs, such as the gas companies, are showing a profit and providing dividends to people, which you are not doing. If they were really brought into the same kind of

perspective, comparisons might find that gas is considerably cheaper than electricity and that the two are not even really close.

It comes together, because a gas company has a private involvement, declares dividends and pays profits, and that money does a lot of other things. I am wondering if you might take a harder look at Hydro becoming more efficient. I say that with the greatest respect. I know you can say it is easier to have extra capacity than not, but I wonder if you have addressed yourselves to bringing capacity on the line quicker. One of the comments Mr. Nastich made was that you have had all this lead time.

Has there really been a fair amount of research done on bringing things on stream much quicker because you have been asked to provide load quicker? The private sector has to respond more that way. You know how many times I have made the comment that bigger is not always better and that maybe we should have been moving in directions where we could put things on stream considerably faster and react to the demand quicker.

Mr. Nastich: It is not the construction time. For example, the line Mr. Campbell referred to out of Bruce was originally contemplated and suggested in 1972. We are now in 1984 and not one ounce of transmission line has been built. That is 14 years of lead time.

Mr. Kerrio: On the transmission lines?

Mr. Nastich: On the transmission lines. It takes us about a year and a half to build one of those lines. If we had the best date possible on this transmission line, it will be 17 years from the time it was developed as needed and confirmed by several hearing boards. In 1989 it will come into service. Of that 17 years, roughly a year and a half is construction.

In the nuclear plants, out of 14 years, about four to five years are hearings, going through various processes in order to get licensing and whatever.

Mr. Kerrio: Then what you are really saying is, with all the power given to you in the mandate to do whatever you choose, the one place you lack the power is where you really need it?

Mr. Nastish: I think we have to be clear on this.

Mr. Kerrio: Is that a valid question?

Mr. Nastich: Yes. On the transmission lines, for example, the decision as to the need is made by an independent body consisting of the Environmental Assessment Board and the Ontario Municipal Board. The plan under which

that line is to be built is approved by that board. The route for that line is also approved by that board, subject only to cabinet review.

That means that that line from Bruce nuclear plant has to be approved by a body independent of Hydro in three stages: the need, the plan and the route. That is true of any future generating station. Even the small ones Mr. Reed is talking about will have to go through an environmental assessment process before a combined hearing board, which could take years.

Mr. Reed: A supplementary—

Mr. Kerrio: No, just a minute. I have one comment and then you can continue.

Mr. Reed: That depends whether they are considered major or minor environmental impact.

Mr. Kerrio: Rather than expanding the mandate of Ontario Hydro to give it all these other areas of responsibility, should Ontario Hydro be given a mandate to have more responsibility in the choosing of routes for its transmission lines and approvals than it has had? Is that reasonable?

Mr. Nastich: If the process could be speeded up, the present idea is correct, that a third party should really adjudicate the line. The problem for us is that it takes so long. If that timing could be cut back, it would be a reasonable process.

Mr. Kerrio: But if you decide that you have to build a plant, there is very little use in building the plant unless—and coincidental with the plant being in production things went properly—your lines are in place in a rather short time frame. Then the plant would be finished and within a reasonable length of time you would be pumping electricity through the lines.

Mr. Nastich: We accept any proposal or idea which would shorten the lead times on transmission lines.

Mr. Kerrio: But the point that I am getting at—

The Acting Chairman: Mr. Kerrio, we have to carry the vote.

Mr. Kerrio: Oh, yes, I am going to make one comment before we carry the vote.

The Acting Chairman: No.

Mr. Kerrio: Just a very brief comment.

The Acting Chairman: I think you made your comment.

Mr. Kerrio: No, I did not. The comment is that it becomes very critical—

The Acting Chairman: You are going to speak right after the question.

Mr. Kerrio: —that you have a little more latitude in that area and maybe a little less in some of the alternative energies and contributions, research and things like that.

The Acting Chairman: Okay.

Mr. Campbell: Could I answer? Do we get a chance to answer the question?

The Acting Chairman: Very well.

Mr. Campbell: I would like to answer it.

Mr. Reed: The chairman of Ontario Hydro would like to answer. In fairness, I think you should allow him to.

Mr. Kerrio: He wants to do that so we cannot respond.

The Acting Chairman: Okay, answer the question very quickly.

Mr. Campbell: I have to defend the public sector against the criticism that it is not as efficient as it might be if it were run by the private sector.

Mr. Kerrio: But you are not giving the public sector the same protection when you go into debt building the plant.

Mr. Campbell: Just a minute now. One of the reasons we have Ontario Hydro is that there was a grass-roots movement around this province to have public hydro at the lowest possible cost. That is one of the reasons why Ontario has been the highest performing industrial and economic place in Canada.

Mr. Kerrio: You see what I mean, Mr. Chairman. He did it to us.

Mr. Campbell: You are talking about the private sector. Let me read to you these comments because there are things about ratings that have been in the news lately. See what Standard and Poor's said:

"Canadian costs are so low that political considerations in the states purchasing electricity have been more important than price. For example, Quebec and Ontario can produce electricity at one quarter the cost of New England utilities," etc. Those are in the private sector.

"As a result, transmission capabilities have become the only significant constraint on Canadian exports to the United States.

"These positive factors contribute to provincial rates. It is clear, however, that the degree of contribution varied greatly from province to province, with some, such as Hydro Quebec, Ontario Hydro and British Columbia Hydro, providing particularly strong support from an economic standpoint to the provinces."

The Acting Chairman: Thank you very much, Mr. Campbell.

Mr. Kerrio: We have not talked about the minister's salary. We have not talked about the party either.

Votes 2101, 2102, 2103, 2104, 2105 and 2106 agreed to.

The Acting Chairman: This completes consideration of the estimates of the Ministry of Energy. Thank you.

The committee adjourned at 10:30 p.m.

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No. R-34

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of Energy

Fourth Session, 32nd Parliament
Tuesday, November 13, 1984



Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, November 13, 1984

The committee met at 8:09 p.m. in room 151.

ESTIMATES, MINISTRY OF TOURISM AND RECREATION

Mr. Chairman: Committee members, I call the meeting to order. Tonight, we begin the estimates of the Ministry of Industry and Tourism. I would like to welcome—

Hon. Mr. Baetz: Tourism and Recreation.

Mr. Chairman: Tourism and Recreation, right. I would like to—

Mr. Eakins: I thought you would have caught up with all the changes around here.

Mr. Chairman: That is right. It is tough to keep up with things.

I would certainly like to welcome the Minister of Tourism and Recreation (Mr. Baetz) and the staff from the Ministry of Tourism and Recreation. I understand the minister has a brief opening statement consisting of 100 and some odd pages.

Mr. Stokes: I think he is getting paid by the page.

Mr. Eakins: That shows just how important it is.

Mr. Chairman: That is right, extremely important. It has to be important or there would not be such a large opening statement.

Mr. McNeil: Mr. Chairman, would it be all right if we just moved it as read?

Hon. Mr. Baetz: If he goes two hours on the clock, sure.

Mr. Chairman: I am very interested in hearing what the Honourable Mr. Baetz has to say about his ministry. Perhaps we can proceed with the opening statements, then organize the rest of the time for the convenience of members of the committee and of the ministry, so we can have the appropriate people in here on the appropriate evenings or mornings to answer questions.

Minister, I turn it over to you.

Hon. Mr. Baetz: Certainly, Mr. Chairman and members of the committee, as the estimates go on, I fully intend to have appear before the members here those senior members of my staff who can provide you with the kind of detailed information the minister perhaps could not

provide. I will be ready to co-operate with you on that.

Tonight there is an opening statement, however. It is intended to cover the—

Mr. Stokes: The waterfront.

Hon. Mr. Baetz: The waterfront, Jack. That is right.

It is a pleasure to present for the third time the estimates of the Ministry of Tourism and Recreation. The ministry, as you know, has been in existence since February 1982. At that time, two major program divisions from other ministries were amalgamated so that they might take advantage of their common characteristics and objectives.

The ministry's mandate is to strengthen, maintain, market, develop and otherwise assist the tourism and recreation industries by serving as advocate, leader and co-ordinator. Its work is done within government, among other levels of government, and between government and the private sector. It also works extensively with volunteers and through its programs seeks to strengthen and support their efforts. The end result is, we hope, the promotion of the social and economic wellbeing of the province.

In order more actively to meet this mandate, the ministry has created a field division which works alongside the recreation and tourism divisions. The field division comprises recreation and tourism consultants located in 21 offices divided into five regions throughout the province. This realignment provides the public with consolidated services, promotes skill and knowledge-sharing among our employees and, as each regional office is headed by a director, places a senior ministry executive in the north-west, northeast, southwest, central and east areas of the province.

The planning and administration division, with its responsibilities of fiscal accountability, policy co-ordination and human resource planning, supervised the ministry reorganization. The division also continued to act as liaison between the ministry and its parks, agencies and attractions.

Tourism and recreation are rapidly growing sectors of vital social and economic importance to the province. Societal transition, characterized by technological progress, as well as an ageing

population and an economy with a slow growth rate, leaves Ontarians with increasing amounts of leisure time. How constructively this time is used will define the character of this province for years to come.

In a sense, one could say the tourism and recreation industries are mirror images of one another. The goal of the tourism industry is to generate economic activity, but because of its nature it provides direct social benefits to its clients. Recreation services find their roots in social improvement, yet collectively they have a major economic impact on the province. Furthermore, travellers are increasingly demanding opportunities for recreation as a part of the tourism package; in some cases, seeking recreation is the motivation to travel.

Tourism is the province's second largest export-dollar contributor after the automotive industry. By the year 2000, it will likely be the province's biggest generator of revenues. The tourism industry accounts directly and indirectly for more than 300,000 person-years of employment and six per cent of the gross provincial product annually.

A study published by the ministry outlining the economic impact of the industry on the province demonstrates that tourism is economically vital in regions relatively undeveloped by the manufacturing sector. For example, during the calendar year of 1982, of the \$6,348,000,000 in total tourism expenditures, some \$680 million went to northern Ontario, \$921 million to eastern Ontario and \$489 million to the Georgian lakelands.

The study also shows that tourism contributes to the self-reliance of individual communities by inspiring local economic activity and employment. Tourism also generates a significant portion of federal, provincial and municipal government revenues through taxation. The provincial government alone collected \$859 million in 1982.

Against increasingly determined competition, the ministry has been very successful in marketing the province as a travel destination. Through the "Ontario—yours to discover!" campaign and the effective use of television, radio and print, awareness of Ontario, its regions and activities, has reached an all-time high. The ministry also works in concert with private sector packagers to sell the province. For example, the ministry recently negotiated a deal between the province's motel operators and leading wholesalers in Europe to establish a coupon system for accommodation, making the province more inviting to foreign travellers.

Less conspicuous perhaps, but no less important, is the development work performed by ministry employees. By accessing financial assistance programs, providing consultation and adopting a leadership role, the ministry works to expand, maintain and upgrade the province's tourism facilities. During 1983-84, for example, seven major government finance programs directed more than \$320 million to the tourism industry, leveraging \$578 million in private investment.

Most recently, it was announced that the Board of Industrial Leadership and Development would contribute \$1 million towards construction of 76 new boat slips at Sault Ste. Marie's Bellevue Marina, plus \$665,000 to finance improvements to 10 area sport fisheries. Also, BILD disbursed \$883,000 towards construction of the Thornbury Marina, an \$8.1-million project which accounts for 135 person-years of employment in the construction phase alone.

Each year the ministry deals directly or indirectly with most of the ministry's 10,000 clients who are tourism operators, providing business advice and market information on request. Our consultants are respected professionals; many have joined the ministry after working in the private sector.

On the recreation side, our world-class athletes have represented the province in unprecedented fashion this past winter and summer; Ontario athletes comprised more than 50 per cent of Canada's teams to the Winter Olympic Games and the Summer Olympic Games.

From Los Angeles, Ontarians returned with 44 team and individual medals, an unprecedented accomplishment, resulting partly from the ministry's blueprint formula for athlete development. This plan, which already included the province's participation at the Ontario and Canada Games, has been expanded.

8:20 p.m.

Called Best Ever Ontario, the program will finance the grooming of the province's athletes for the 1988 Olympics in Calgary and Seoul and other major international games. Directly and indirectly, Best Ever Ontario will also strive to get more Ontarians to participate in various sports.

A variety of financial assistance and consultation programs allows the ministry to serve 1.5 million coaches, athletes and volunteers associated with 77 sport associations as well as thousands of others involved in recreational and fitness activities at the community level. Furthermore, by investing in recreation, the ministry

eases the social effects of economic change and helps the economy by creating new businesses and jobs.

The recreation division faces invigorating challenges: the shifting demographics of the province's population are forcing a review of programs; financial constraint demands more co-operation among all agencies; aggressive recruitment of volunteers is needed; and ageing facilities require more maintenance. A recreation policy, being drafted with these challenges in mind, will provide a framework for ministry policy during the next decade.

Additionally, our Wintario grants policies, including eligibility, are undergoing a thorough review by the newly-created grants administration unit of the ministry's field division. We anticipate changes that will make criteria for eligibility sensitive to the needs of Ontario communities, while keeping availability of funds in line with grant requests.

The ministry has also recognized the necessity of effectively communicating matters such as new directions and policies and changes to grant application criteria to its clients and the general public. Working in concert with the ministry's divisions, the communications branch fulfils this responsibility.

As an introduction to these estimates, I would like to review the work the ministry is doing to fulfil our mandate of enhancing the quality of life and economic strength of Ontario.

First, the tourism division: As I have indicated, tourism is a major industry in the province. By fostering the prosperity of small business, providing a growing number of job opportunities, increasing the economic self-reliance of municipalities and by training people in essential contemporary skills such as marketing and human resource management, the tourism industry has the continuing potential to increase its contributions to the economic growth of the province.

To document the impact of tourism on the employment, income and tax structure of the province and its regions, the ministry commissioned in 1983 a major study of the industry. Its results, entitled *The Economic Impact of Tourism in Ontario and Regions*, were released in the summer of 1984.

Tourism expenditure in Ontario totalled \$6.3 billion in 1982. This expenditure by Ontarians, other Canadians and foreign visitors for food, lodging, transportation, entertainment and miscellaneous retail items, generated substantial income and employment.

For example, tourism expenditure in festival country in southwestern Ontario was approximately \$1.2 billion. That was broken down into \$378 million for transportation, \$230 million for retail purchases from souvenirs to clothing, \$156 million for recreation and amusement, and \$412 million for accommodation and meals. For every one of these dollars, another 25 cents was spent on indirectly related activities, such as agriculture and construction, producing a total of \$7.9 billion in total income, or about six per cent of the province's gross product.

More than 361,000 person-years of employment were associated with these tourism expenditures in 1982, representing about nine per cent of provincial work. Of these employment years, 204,000 were created directly.

A major finding was that the less industrially-developed regions gain proportionately more from a healthy tourism economy. The considerable local impact of tourism expenditures allows outlying regions to share in the growth and prosperity of the province. The detail cited above on festival country represents that impact.

The province invests directly into the industry and receives direct return. Of the 1982 tax revenues reviewed in the report, the provincial government's share was about \$859 million from a total of \$1.6 billion.

Tourism represents an important percentage of sales in such enterprises as restaurants, service stations and other retail establishments; yet in only a few sectors of the economy—commercial accommodation being a widely quoted example—are such specific industries associated primarily with tourism. Consequently, the role of the industry is seldom perceived or appreciated for its significant contribution to our economy.

While most direct employment created by the tourism industry results from expenditures on accommodation and food—about 102,000 person-years—transportation accounts for 29,000 person-years and amusement and recreation for 13,000.

Indirect employment is measured by identifying all the steps required in the production of a final product. It refers to those employed in businesses which supply services and equipment to tourism operators. Thus, a tourist's meal in a restaurant can be traced back through the wholesale food and other related industries to the agricultural producer. In turn, each food supplier creates demand for his or her suppliers. For example, the farmer purchases fuel, fertilizer and equipment from the petroleum, chemical and manufacturing industries.

An additional measure of the impact of tourism on employment is spinoff employment which results from the spending of personal incomes by those working in the direct and indirect operations. The distribution of direct, indirect and spinoff employment generated by tourism expenditures calculated on a regional basis suggests that the industry has tremendous influence in areas relatively undeveloped by more traditional industry.

In 1982, the largest absolute amount of employment generated by tourism was in Metropolitan Toronto—84,300 person-years. However, the northern region received about 42,000 person-years of employment from tourism, a share that is disproportionately high relative to the population of the two regions.

In every region except southwestern Ontario, accommodation and food services accounted for the largest levels of employment. Retail industries generally followed in importance, except in southwestern Ontario where they ranked first. Interestingly, most jobs created by tourism expenditure are in local industries.

Therefore, as an income earner, tourism is important to the entire province. First, each and every region shares in the total income generated by tourism expenditure. Second, the income generation is more evenly distributed than in other industries.

Mr. Stokes: So is the resource upon which tourism is based.

Hon. Mr. Baetz: That is right.

Third, the relative impact is far greater on outlying regions with limited populations than on those with densely populated areas. Fourth, local business generates most income in each area. Fifth, while Metropolitan Toronto and festival country generate the most absolute tourism income, northern and eastern Ontario receive more tourism income per capita than the rest of the province's 12 travel association areas.

8:30 p.m.

It is possible to encourage the economic growth of particular regions by selectively encouraging and stimulating the growth of particular tourism sectors and activities. Income levels and employment may be increased through direct tourism development applied in outlying regions. This is different from the effect of government assistance to other industries where help is provided to operations in the central core with a view that the benefits will then spread to other areas of the province. It is sort of a sprinkle-down theory.

The industry's growth, or lack of growth, carries significant and direct ramifications on the economies of these regions. The capacity of the tourism plant must keep up with demand or significant losses will occur. Because their economies depend relatively more on tourism as a contributor to their local economies, these losses will be felt more in the outlying regions, especially in the north.

The ministry's role then is to work in partnership with the industry's representatives to maintain this plant and to develop its human resources. This work is performed through consultation, by marketing both to the consumer directly and to the travel trade through financial assistance and skills training programs.

As part of the latter, the Ontario youth tourism program has the dual aim of providing young people with skills to work in the hospitality industry and encouraging the industry to hire relatively inexperienced people.

Community colleges will give youths aged 16 to 24 two weeks of intensive training in hospitality skills. Employers, such as operators at resorts, lodges and camps outside major urban areas, will provide youth with work for 10 to 16 weeks at a subsidized hourly wage. It is hoped this formal training and experience will lead to their ultimately being given full-time positions.

In order to maintain and improve the marketing and development of the province's tourism industry, it is crucial to be responsive to the major social and economic currents shaping the business environment.

The demography of our population is shifting towards the older end of the spectrum. Many of today's seniors are more affluent than older adults have been in the past. The ethnocultural makeup of our society is also shifting. Today one in four Ontario residents was born outside Canada, and 40 per cent of the provincial population has origins other than British or French. People are getting married later and having children later. There are more single parents and more people living alone. The two-income family is commonplace.

The economy is also changing. It appears we have reached a plateau with the growth in disposable income. Attractions can no longer count on rising incomes because pressure on the family budget is creating a more discriminating traveller. Rising education levels also have a key impact on consumer preferences. In fact, education is becoming a key market sector ingredient of the travel business.

Surveys have repeatedly shown the more educated the individual, the higher the propensity to travel. The ministry's Ontario travel survey, taken in 1982, reported that 32.3 per cent of travelling households were university educated, whereas only 27.5 per cent of all households had reached this level of education.

Therefore, a changing social and economic marketplace, consisting of people with different values and priorities, creates a formidable, vital and intriguing challenge for the ministry and our partners in the tourism industry.

Tourism development: The ministry undertakes a wide variety of activities in order to assist the development of Ontario's tourism economy. We provide business consulting to individual operators. We work with municipalities to identify tourism opportunities. We liaise with trade and travel associations to determine business and marketing strategies, both short- and long-term. We play a highly important advocacy role representing the interests of the provincial tourism industry to our colleagues in the federal government, other Ontario ministries and at the municipal level.

One of our responsibilities has significant strategic implications, namely, the administration of financial assistance programs which enable the industry to adapt to changing conditions in the marketplace. These programs cover a wide variety of activities ranging, for instance, from a northern Ontario inn wishing to expand its dining and accommodation facilities to a conglomerate of municipalities and industries wishing marketing support for their area.

The programs are fundamental to the development of the tourism plant. The resulting improvements and new construction have enhanced Ontario's competitiveness and attractiveness.

Mr. Stokes: Andy Watson does not believe that.

Hon. Mr. Baetz: We will hear from him later on then.

Mr. Watson: I was commenting on the northern Ontario inns. I thought Mr. Stokes was going to react to that.

Hon. Mr. Baetz: Local service sectors have benefited from economic spinoffs and private investment has been stimulated, since funds are advanced only when accompanied by private funding.

From time to time, government may also assume the lead role in tourism plant development, as it has with the Metropolitan Toronto Convention Centre and the Ottawa Congress Centre. The conventions and meetings business

is a growth industry vital to the continuing welfare of the province's tourism economy.

Together with the federal government and Metropolitan Toronto, the Ontario government contributed in a major way to the construction of the convention centre. It is a first-class facility with 38 meeting rooms and a column-free display area two and one half times the size of a football field.

Mr. Stokes: How many people will it accommodate?

Mr. Gibson: Is it 7,500?

Hon. Mr. Baetz: It depends on how you seat them, concert-style or theatre-style. What is it?

Mr. Gibson: It is about 10,000, I think.

Hon. Mr. Baetz: It depends on how you seat them.

Mr. G. I. Miller: Do you play football there too?

Hon. Mr. Baetz: The convention centre was officially opened by Queen Elizabeth II in early October. It has already attracted many major conventions. There is \$114.2 million of confirmed bookings through 1993, with an additional \$171 million in tentative bookings.

Mr. Stokes: Why did the Tories not hold their leadership convention there?

Hon. Mr. Baetz: The place is so busy, we could not get near it. It is such a success story.

Mr. Eakins: I thought you would have taken Minaki Lodge.

Hon. Mr. Baetz: We are just ordinary people. Our party is made up of ordinary people and we could not get near that very successful centre. However, I am delighted they did not have room to take us in.

Mr. Stokes: They tell me the Coliseum is not even heated. That is what worries me.

Hon. Mr. Baetz: It will be heated by the time the convention is over with.

Interjections.

Mr. Chairman: Can we get on with the statement?

Hon. Mr. Baetz: I am easy.

Mr. Watson: We are too.

Mr. Stokes: Come on. After 20 pages of this, you need a little comic relief.

Hon. Mr. Baetz: This is a station break. There is a lot of good stuff. You have to get this down.

Operation of the centre creates 100 full-time and 500 part-time jobs.

Mr. Eakins: Have you listed the total cost of the centre?

Hon. Mr. Baetz: The total? We will get to that in the estimates.

8:40 p.m.

Mr. Eakins: Okay. I thought maybe I had missed it.

Mr. Chairman: That is a fair question.

Hon. Mr. Baetz: While the convention centre was being built, the ministry studied the employment it generated in the construction and allied industries. Contractors and subcontractors were asked how many direct labour hours were spent on the project in the shop or at the site. The results are evidence of the positive interrelation between the tourism and hospitality industries and the economic welfare and industrial infrastructure of the province.

Here are some very interesting statistics. There were 64 major contractors, architectural and engineering firms, plus various city of Toronto departments working directly on the project. The total person-years of work numbered 852, representing 1,566,526 labour hours.

A total of 147 suppliers, including wholesale, retail and manufacturing companies, delivered materials to the major contractors on the project. The suppliers accounted for 232 additional person-years of labour, or 427,014 hours. Furthermore, it was estimated an additional 154 person-years of employment were created in various parts of the province by the suppliers who either did not supply information or gave only sketchy data which was discounted in the actual statistics.

Mr. Stokes: Before you complete these, Mr. Chairman, could you prevail upon the minister to determine how many person-years, person-months or person-hours of work went into the writing of this speech?

Mr. Chairman: That may be later on in the speech. Let us be patient.

Mr. Watson: It was the absolute minimum.

Mr. Stokes: It was a make-work project if ever there was one.

Mr. Watson: How would that compare with building a domed stadium?

Hon. Mr. Baetz: We will get to that too.

Mr. Chairman: I do wish the minister would ignore these interjections. Do not let them upset you.

Hon. Mr. Baetz: I am not upset at all. I would love to engage in it, but we will do all that later on.

It is a conservative estimate—

Mr. Chairman: Is that big-c or little-c conservative?

Hon. Mr. Baetz: This is a conservative, small-c estimate, therefore, to attribute over 1,200 person-years of work on the Metropolitan Toronto Convention Centre in the construction phase alone. Contractors and suppliers were not restricted to the metropolitan area; they came also from St. Catharines, London, Stoney Creek, Belleville, Hamilton, Kitchener, Sarnia, Barrie, Port Robertson and Bowmanville.

Mr. Stokes: There was nobody from Lake Nipigon and not one from the north.

Mr. Watson: I do not see one from Chatham either.

Hon. Mr. Baetz: I think some of the expert labour came from the Nipigon area. We can talk about that later.

Mr. Stokes: If you wanted the best, that is where you should have got them.

Hon. Mr. Baetz: Raw materials and finished products were purchased from across the province. I expect many came from the Nipigon region. This is in Hansard now, Jack.

While ownership of the two convention centres in Toronto and Ottawa belongs to government, the province's major financing programs are intended to lever private investment. These programs are derived from the Ontario Development Corp., the Board of Industrial Leadership and Development and federal-provincial tourist agreements such as the northern Ontario rural development agreement and the eastern Ontario subsidiary agreement. Since the inception of these programs, some \$330 million has been invested by government into tourism projects.

Mr. Stokes: That has run out now. You had better get au courant.

Hon. Mr. Baetz: Later on, on page 60, we are going to be—

Mr. Stokes: There is no money left under NORDA.

Hon. Mr. Baetz: There is something new coming on.

In the travel business, it is necessary to add features at regular intervals or face loss of market share. To make sure capital funds are there when needed, financial planning is vital. As well, it is extremely important to know the market, to invest in attractions and to present a product with drawing power.

When planning the shape of our tourism industry, the ministry and its private sector partners must keep in mind what today's well educated and affluent travel market is looking for. There are a number of features.

One is perceived and actual value for money. Operators must offer a first-class product, set prices with care and ensure that advertising tells the consumer what to expect.

Programs and services must cater specifically to different market segments, for example, by developing initiatives to appeal to the growing ethnic population.

Constant renewal and innovation of attractions are imperative if we are to bring repeat business into local markets. Canada's Wonderland is achieving this, with Kingswood Theatre last year, the white water raft ride this year and more plans for next year. Marineland in Niagara Falls is another example of an attraction that has made remarkable improvements. Ontario Place also is renewing itself, and construction has begun on the new west island attractions we announced yesterday.

Furthermore, people want a more sophisticated experience and a more fulfilling use of leisure time. The theming of an attraction has become crucial. The Disney organization has set a popular standard here, and the attractions industry must try to keep up.

Travellers are also seeking self-improvement and they are interested in participatory experiences rather than static exhibits. Two agencies of this ministry, Upper Canada Village and Old Fort William, present pageants and historic reenactments to enliven the visits.

Finally, people wish to combine the best aspects of tourism and recreation, an approach which directly parallels the ministry's mandate. For example, and Andy Watson will be interested in this, the Wheels Inn in Chatham has pioneered a forward-looking leisure concept.

Mr. Watson: That is private enterprise, is it not?

Hon. Mr. Baetz: That is private enterprise at its best.

It offers swimming, fitness, sauna, bowling, squash and other facilities not only to guests but also to the community on a membership basis.

Mr. G. I. Miller: No Board of Industrial Leadership and Development funding?

Mr. Watson: Not a thing; it is all private enterprise. Farmers came in and showed them how to do it.

Hon. Mr. Baetz: Ten per cent of the area's population has signed up; and if you want a real

bargain weekend at Wheels Inn, you might check with the local member, Mr. Watson; he might arrange it. Are the cards blue?

Mr. Watson: The cards are blue this year.

Mr. Eakins: Is it encouraging membership?

Mr. Watson: It encourages a lot of membership.

Mr. Stokes: Is it in the black?

Mr. Watson: It is in the black—private enterprise.

Hon. Mr. Baetz: Since vacations now tend to be shorter and more frequent, with visits lasting only two or three days as opposed to one or two weeks, there is the opportunity to generate repeat business, not only from the local market but also from more distant customers. We know visitors could return within a few months and we had better have something different waiting for them.

The province's strategy of providing grants, low-interest loans or loan guarantees to tourism operators has proven very effective. In fact, private investment and other funding stimulated by government assistance programs have totalled \$595 million to date, resulting in significant improvements in the tourism plant. Approximately 13,000 person-years of employment and an estimated \$73 million in tax revenues to the three levels of government are generated annually.

These investment figures over the past several years may be broken down with all the figures expressed in millions. I will not take you through that, but I will simply say that these investment figures over the past several years, and you can take a look at them, can be broken down by loan program.

Here is the loan program, for example, if you look at the tables. The BILD program, to which the government contributed \$150 million, generated \$381 million in private investment. The eastern Ontario subsidiary agreement, to which the government contributed \$3 million, generated \$13 million. The northern Ontario rural development agreement was provided \$3 million in government funds and generated \$4 million in private investment.

Government term loans of \$93 million resulted in \$23 million of private investment. The tourism redevelopment incentive program, to which the government contributed \$64 million, generated \$140 million. Government funds of \$14 million to small business development corporations generated \$33 million from the private sector.

Mr. G. I. Miller: How many years is that?

Hon. Mr. Baetz: A couple of years.
8:50 p.m.

Mr. G. I. Miller: Two years?

Hon. Mr. Baetz: A little more than two years.

At the end of the 1983-84 fiscal year, three programs were extended: the eastern Ontario subsidiary agreement, the tourism redevelopment incentive program and the grading assistance program. EOSA is a federal-provincial cost-sharing agreement for development of tourism in eastern Ontario. TRIP guarantees loans from individual sources of up to \$1 million and subsidized interest of five percentage points for five years, decreasing by one percentage point each year thereafter or, as an option, an interest subsidy of up to eight per cent in the startup years. TRIP has provided interest subsidies and guarantees on loans totalling more than \$60 million in the past five years. The grading assistance program provides low-interest loans for the upgrading of facilities, especially accommodation.

The northern Ontario rural development agreement, another federal-provincial cost-sharing program, lapsed at the close of the fiscal year. However, and this is what the member for Lake Nipigon (Mr. Stokes) was referring to, it has been replaced by Nordev, the northern Ontario regional economic development agreement, a program of the Ministry of Northern Affairs. Nordev identifies tourism as one of four sectors for which development funding will be provided. Assistance is available for planning and feasibility studies and the marketing of tourism facilities.

The ministry expects some \$100 million to be invested in the province's tourism plant during the current fiscal year. That is a sum at once as gratifying as it is necessary. With increasing competition from outside the province's borders, Ontario must continually upgrade its tourism plant while keeping costs in line with travellers' budgets.

The ministry has established a credible advocacy relationship with other Ontario ministries, crown corporations and secretariats, enabling it to access financial assistance programs for the tourism industry. In 1983-84, some \$26 million in moneys from other ministries were funnelled into the tourism industry, leveraging some \$39 million in private investments.

There has been a consistent and notable co-operation between our ministry and the ministries of Industry and Trade—what you see in BILD—Revenue, Municipal Affairs and Housing, Natural Resources, Environment, and

Northern Affairs. We feel this reflects increasing recognition of the value of tourism to the Ontario economy.

For instance, the new Science North, recently opened by Her Majesty Queen Elizabeth in Sudbury, has already proven to be a major boost to the city's tourism revenues. In the northwest, Minaki Lodge has spurred an increase in visitors to that area. The Ministry of Northern Affairs was actively involved in both projects.

Another financial assistance program which will benefit Ontario tourism significantly is a recently signed federal-provincial agreement, the economic and regional development agreement.

Mr. Stokes: When do we get a copy of that?

Hon. Mr. Baetz: I think we can provide you with a copy of ERDA by tomorrow or the next day, very quickly. It is the omnibus agreement under which we set up subsidiaries, including our tourism one.

The agreement sets priorities and establishes a framework for co-operation and co-ordination between the two levels of government in the economic development field. This omnibus agreement will be followed by subagreements for specific sectors, and we expect one of the first to cover tourism.

At this point in the negotiations, we are considering a \$44-million agreement over five years to be split 50:50 by the province and Ottawa.

Mr. Stokes: It is much too conservative.

Hon. Mr. Baetz: Well, we will get back to that discussion.

This would be the first federal-provincial development agreement exclusively for tourism, since the former northern and eastern Ontario pacts included other industries as well. The new agreement will apply to all regions of the province except Metropolitan Toronto.

Mr. Watson: Does that include southwestern Ontario?

Hon. Mr. Baetz: That is right. Southwestern Ontario is a separate entity; it is not part of Metro Toronto. Metro Toronto extends from Lake Nipigon down to—

Interjections.

Hon. Mr. Baetz: I am sure the members of the committee know precisely the geographic boundaries of Metro Toronto.

Mr. Chairman: I think we are all very aware.

Mr. Watson: They got the convention centre. They really do not need this, do they?

Mr. Eakins: What is the significance of the coloured pages here? Is it just the way they come?

Mr. Watson: Some of them are purer than others.

Mr. Eakins: You only believe the white ones.

Mr. Watson: Well, the pure ones are white.

Hon. Mr. Baetz: You have a very up-to-date copy here. It is hot off the press. There is nothing redundant about this.

Mr. Chairman: They are so hot off the press that some of the pages got scorched.

Hon. Mr. Baetz: We are at page 32 now.

The major priority in the new program will be the development of major travel generators; that is, year-round destination resorts and, of course, attractions. There will also be funds for planning and feasibility studies, major events and assistance to the travel trade to boost foreign visitation.

The tourism subagreement will be a major step in forging a new partnership between the federal and provincial governments and between the public and private sectors. It will assist the tourism industry in undertaking the investments needed to keep pace with the changing travel market.

Two other initiatives are being introduced this fiscal year. One will provide low-interest loans in order that tourist operators might purchase equipment to meet fire and building code regulations. The second will assist an operator to start up a business improvement project quickly, for instance, by installing computers.

Identifying the specific goals and targets of financial assistance programs is accomplished through the splendid partnership that has been forged between the industry and the ministry. That same partnership results in the ministry forwarding a strong advocacy position when dealing with other ministries or levels of government.

The ministry's major partner is Tourism Ontario, a representative organization of trade and travel associations in the province. The ministry also works individually with 12 regional travel associations and 11 trade groups, namely, Ontario Ski Resorts Association, Resorts Ontario, Ontario Hotel and Motel Association, Accommodation Motel Ontario Association—I spoke to them last night—Attractions Ontario, Northern Ontario Tourist Outfitters Association, Ontario Association of Convention Bureaux; Ontario Motor Coach Association, Ontario Private Campground Association—

Mr. Stokes: When did you speak to them last?

Hon. Mr. Baetz: I am in constant discussion with them. Very constructive discussions are going on right now.

Mr. Stokes: You are playing an advocacy role on their behalf?

Hon. Mr. Baetz: Yes, we are. It is most encouraging too, I must say. We are doing very well there.

Mr. Stokes: Is the minister not going to introduce it?

Hon. Mr. Baetz: I have not said a thing. I am saying that we will be playing the advocate's role. It is a very important organization, as you know.

Completing the list of trade groups are the Ontario Marina Operators Association and the Ontario Restaurant and Food Services Association.

Mr. Watson: How much room do they set aside for nonsmokers?

Hon. Mr. Baetz: Maybe when we get into estimates we will discuss that subject. We have some thoughts in my ministry about that.

Mr. Stokes: Just remember that some people do not even get warm, let alone smoke.

Mr. Villeneuve: They are not from the north, are they?

Mr. Watson: I noticed that the smoke is concentrated over there. The breeze is going that way now.

Mr. Eakins: A pipe, a cigar and a cigarette.

Mr. Chairman: John, you have a problem.

Mr. Eakins: I like a pipe myself.

9 p.m.

Hon. Mr. Baetz: I am looking forward to some of the members' comments on the no-smoking ban here in Toronto. I am looking for a little guidance.

The people in these groups, the trade associations, are responsible for maintaining strict standards and improving our services wherever possible. Through a continuing dialogue, the ministry stays alert to the needs of the private sector and our industry moves through continuing evolution as a result.

One example of co-operation between the private sector and the ministry is the Ontario Hostelry Institute, opened at George Brown College in Toronto to train young people in all skills associated with the hospitality industry. This ministry and the Ministry of Colleges and

Universities have representation on the institute's board.

Mr. Stokes: They have the highest employment rate of any course.

Hon. Mr. Baetz: Yes.

Developing and maintaining a solid relationship with municipalities in the province is also one of our priorities. Tourism strengthens the municipal tax base and the local service sector, therefore contributing to the community's economic self-sufficiency.

The municipal tourism development planning program provides seed money to finance tourism planning studies, usually conducted by independent consultants. The consultants analyse the economic impact of tourism on an area, its potential market in the future and what needs to be done to attract new tourists. At a minimum, the studies inspire dialogue among municipal officials, local industry representatives, town planners, related industries and the ministry's own consultants.

Awareness of tourism as an industry beneficial to the local economy is the jumping-off point. From there, serious planning and investment can begin. Some 18 studies have been undertaken and many will conclude this fiscal year. They are taking place in such areas as Ottawa-Carleton, Peterborough, London-St. Thomas and Michipicoten township.

In the south Georgian Bay area, six municipalities have joined together to produce one study in co-operation with the ministry. A pilot project in Sault Ste. Marie resulted in an organization called HATS, Hospitality and Travel Sault Ste. Marie, which has three full-time staff members now working out of city hall on every aspect of the tourism business.

Meanwhile, the ministry has been testing an economic assessment model in the north. This detailed survey of all aspects of the tourism industry in one concentrated area has been computerized so that the information may be adaptable from market to market. Since there will be computers in ministry offices throughout the province, our consultants will be equipped with the necessary software to quickly produce market data, thus helping the individual operator to eliminate costly studies.

On the broad subject of tourism marketing, Ontario was among the pioneers of tourism advertising. In a business world dominated by emphasis on marketing, our "Ontario—yours to discover!" campaign is an unparalleled success. Now in its fifth year, the advertising component of the marketing strategy is again setting new

standards for generating consumer interest during this, the year of tourism in Canada.

Awareness of the province as an attractive travel destination is the very important beginning to motivating people to vacation here. A June 1984 survey showed domestic awareness of the "Ontario—yours to discover!" slogan to be 97 per cent, up by three per cent from 1983. Awareness of specific Ontario travel advertising, including newspaper, radio and television spots reached 78 per cent, also up by three per cent.

In the United States, total travel advertising awareness was 83 per cent in the key markets of Detroit, Buffalo, Cleveland, Minneapolis and Chicago. "Ontario—yours to discover!" slogan awareness reached 78 per cent in the United States markets, the highest level ever by nine percentage points.

The ministry subscribes to the marketing theory that awareness, properly inspired, leads eventually to positive motivation. Interest in Ontario as a travel destination is reflected by inquiries made by telephone over toll-free line to our customer sales and service section. Up to the end of August, telephone inquiries had increased by 25,564 over 1983. Information requests made at ministry travel centres were also higher than in 1983, having increased by 10 per cent.

Generally, 1984 has been a reasonably good year for tourism in the province, especially when compared with the previous two years. The major indicators are favourable. Total United States visitors to Ontario from January through August of this year are up 1.1 per cent compared with the same period last year. The one-night-or-more automobile traffic across the border, crucial to travel spending, increased by 1.3 per cent this year after a period of nongrowth.

Overseas visits jumped a surprising 7.2 per cent despite a Canadian dollar which has been strong against European currencies. Ministry analysts believe lower trans-Atlantic air fares are a major factor in this substantial increase.

Mr. Eakins: Is it 7.2 per cent over the previous year?

Hon. Mr. Baetz: Yes. The occupancy rate figure at accommodations in Ontario from January through September was 60.6 per cent compared with 57.5 per cent for the same months in 1983. That, of course, also represents an upswing after two flat years.

The number of Canadians returning to the province from the United States, which in effect measures the number of Ontarians travelling to that country, is up only 0.8 per cent in the first seven months this year. This compares with a

sharp 11.6 per cent increase in 1983 over 1982. The intensive joint marketing effort undertaken by the government and the industry under the "Ontario—yours to discover!" banner, combined with the difference between the United States and Canadian dollar, has encouraged Ontarians to travel at home and, we assume, to enjoy it at home.

After a period when attendance at Ontario's attractions was decreasing, it now appears the downward trend has been checked and figures from January to September of this year were the same as those of last year. It is also encouraging that paid admissions are up two per cent. However, obviously there is much opportunity for improvement.

Clearly, the province has held or increased its tourism indicators only by sustained financial support to marketing programs. Television broadcasts across Ontario and in key Quebec, Manitoba, United States and European markets again formed the basis of the "Ontario—yours to discover!" campaign.

Six television commercials paint Ontario as an enjoyable, scenic vacation for the Ontario family. Exposure in key markets was increased from 10 to 11.5 weeks. The advertising was recognized with a prestigious award—and it is a prestigious award—the Clio award, the only one given to a Canadian television commercial by the Clio Awards Advisory Board. The Clio is the advertising world's Academy Award. In the judgement of marketing experts, therefore, the "Ontario—yours to discover" campaign ranks with the best in advertising.

Newspapers and magazines are effective supporting media to broadcast advertising in key markets. They are also cost-effective ways of reaching the market sector which is outside easy driving distance to the province. Addition of one magazine advertisement brought the total to four. They were printed in magazines with upscale-income readership during a campaign lengthened from three months to four. In weekly newspapers, six different advertisements were employed.

Full-colour newspaper supplements were distributed in the summer and winter season. Three million Ontario households and six million United States households received the 48-page, information-packed summer insert to the weekend newspapers. Four million copies of the 24-page winter insert were distributed throughout Ontario and the US cities of Buffalo and Detroit.

9:10 p.m.

The supplements have become an entrenched and successful part of the ministry's ongoing marketing strategy. On the first day following the distribution of last year's winter supplement, our 14 customer service telephone lines accepted 1,600 calls. In summer, when 28 telephone lines are staffed, the ministry received some 11,000 calls in the first week following publication of the insert.

The operators have more than 40 publications to mail at the request of callers, including a French version of the Traveller's Encyclopaedia. This summer, the section also maintained an up-to-date computer file of bicentennial events. It promoted the bicentennial by designing the spring/summer newspaper supplement with a bicentennial look, and placed in-province newspaper advertisements.

As the value of tourism to the economy is increasingly recognized, competition for the travel dollar is becoming more intense. Michigan and Ohio increased marketing expenditures by an average 14 per cent during the last year, for example. The ministry has reacted in various ways. These include the following:

1. We expanded our marketing efforts in the United States and Europe.
2. We became involved in co-operative programs with the private sector.
3. We promoted Ontario as an all-season destination.

In the United States, marketing activities were extended into the New England areas within a day's drive of Ontario, an Ontario office was opened in Boston, advertising in such publications as *Life* was increased and winter advertising was extended to the Detroit and Buffalo areas.

The ministry entered into co-operative advertising and promotion arrangements for European marketing with travel wholesalers and CP Air and KLM. Similar arrangements have been undertaken with Wardair for Britain and with USAir and other carriers in the United States.

Co-operation with the private sector has become essential. The Toronto accommodation industry joined forces last winter for a program whereby each participating member advanced \$1 per room for promotion costs. The industry offered rooms at half price during a traditionally slow time and the ministry advertised the promotion in its winter calendar. In the more than 5,000 calls received by our customer service representatives in the week following distribution of the winter calendar, more than half the

callers inquired about the hotel room promotions.

The ministry's role as a leader is sometimes best defined as bringing the seller and the buyer together with an idea that appeals to both. The motels of Ontario have joined together and agreed to a coupon system that will be available to Europeans next summer. The coupons will offer one-night accommodation plus breakfast at any participating motel in the province for the identical fixed price.

The offer has been greeted enthusiastically by travel wholesalers in Britain and Holland. These countries will be used as test markets in the summer of 1985. The wholesalers were consulted from the beginning as the ministry mediated the negotiations. The deal offers Ontario motels an opportunity to expand their markets while the travel wholesaler gets something new and cost-pleasing as a means of selling Ontario to customers.

The ministry also advanced seed promotion money for the launch of Tourpass, a program offering consumers unlimited bus travel in Ontario and Quebec over fixed time periods. The promotion was aimed at making travel more accessible for lower-income groups. During the summer-long campaign, buses carried "Ontario—yours to discover!" decals on the back windows and the idea was advertised on television and in bus terminals.

The private sector has been encouraging more aggressive marketing of the winter season in Ontario. A television commercial shot in the north and south of the province last year will be shown this winter throughout Ontario. The commercial features winter recreational activities such as skiing, snowmobiling and ice fishing.

Complementing the ministry's efforts to reach the travelling public is the Visit Ontario Program, VOP, which assists journalists, broadcasters and film crews to produce stories on Ontario facilities and attractions.

In 1983-84, 237 journalists from Europe, the United States, Japan and Canada participated in this Visit Ontario Program. An additional 750 media people received assistance ranging from provision of thematic photographs to advice on travel itineraries. In addition, the ministry supplied Ontario travel articles to print media in the United States and Canada throughout the year.

With transportation increasingly accessible to travellers in Canada, the United States, Europe and Japan, the ministry retains a global outlook

when projecting the tourism marketplace of the future. The ministry has staff in New York, Chicago, Los Angeles, Boston, London, Frankfurt, Paris and Tokyo. They represent the province to the travel trade and convention industry, customize marketing strategies to the target areas and supervise market research. Results from a market research program undertaken in France this past summer will determine what aspects of Ontario to feature in our French marketing program.

The ministry continued organizing missions to the major travel trade shows and to outdoor sports shows in key markets of the United States. The missions frequently included members of the private sector, such as tour wholesalers, resort operators and representatives of the accommodation and meetings sectors.

The ministry was responsible for helping to attract the Association of British Travel Agents convention to Toronto last week. It went on from November 4 to 10.

Mr. Eakins: Did you get the bill straightened out?

Hon. Mr. Baetz: Everything is fine. Everything has been straightened out.

Approximately 2,500 delegates attended the event, providing a valuable opportunity for the province's tourism industry to promote itself to this important audience.

To boost awareness, the ministry often gets involved in conventional promotions such as parades. For example, the ministry's bicentennial float appeared in hundreds of festivals, fairs and parades across the province this year.

With many first-class facilities in Ontario, including the new Metropolitan Toronto Convention Centre and the Ottawa congress centre, the meetings and conventions business holds great revenue potential. At the Toronto centre, for example, 42 conventions will have an estimated economic impact on the city of \$23.4 million in 1985. In Ottawa, from 1984 to 1986, 385 major events at the centre will result in \$75 million of business. The ministry promotes meeting facilities and resorts in the province with carefully targeted promotion and advertising campaigns.

Finally, a major contribution to any marketing program is research to determine needs and levels of satisfaction by clients. The ministry continued to monitor attractions and accommodations for attendance. We completed the study on the economic impact of tourism and surveyed the usefulness of the camping guide and the events calendar.

I would like to turn to the recreation division. Recreation is defined as "all those things a person or a group chooses to do in order to make leisure time more interesting, more enjoyable and more personally satisfying." This definition has now been accepted by all provinces and both territories and serves to indicate the broad range of interests in which the recreation division is involved.

Mr. Stokes: You obviously consider reading a form of recreation.

Hon. Mr. Baetz: We can cut this short if you like.

Mr. Chairman: I find it interesting.

Hon. Mr. Baetz: You wanted information, so we are here to give it. By the way, this is the most up-to-date definition of recreation anywhere in the world. I have never been told who the author is, but it might be my own assistant deputy minister, Mr. Secord. He has not denied this and it could well be that he is the author of this. He is in attendance tonight and later on in the estimates you might want to question him as to whether he was, in fact, the author.

Mr. Chairman: But most of us heard it first here tonight.

Hon. Mr. Baetz: I think so, yes.

9:20 p.m.

I would like to restate that this ministry has the lead responsibility for matters pertaining to recreation and we are developing co-operative mechanisms with other ministries to ensure the resources allocated to this—

Mr. Eakins: What page are you on?

Hon. Mr. Baetz: I am on page 50.

Mr. Stokes: You have an insert there.

Hon. Mr. Baetz: No, I have pages 50 and 51.

Mr. Chairman: Your page 50 is different from our page 50.

Mr. McKessock: The definition of recreation is so new it is not in our books.

Hon. Mr. Baetz: My deputy is going to sort this out for me right away.

Mr. Gibson: You have two extra pages in here that they do not have in their books, unfortunately. You are ad libbing.

Hon. Mr. Baetz: I am now ad libbing.

Mr. Stokes: You just did that to see if we were paying attention.

Hon. Mr. Baetz: Exactly, and you notice how smoothly I ad lib. I do not split infinitives or dangle participles; it just goes on. I could also

chop it entirely if you wanted me to. We will catch up with you in a minute.

I would like to restate that this ministry has the lead responsibility for matters pertaining to recreation and we are developing co-operative mechanisms with other ministries to ensure the resources allocated to this important subject are optimized.

There are four interrelated challenges which the government and its partners in recreation services must address head on. Those challenges are an economy with a slower rate of growth, shifting demographics, deteriorating facilities—I am talking about physical facilities for recreation—and the ongoing need for volunteers.

The province has recovered from the economic recession of 1982-83 but the high deficits remain. Therefore, as fiscal policy dictates continued restraint, one solution has been to promote co-operation amongst the government agencies, sport, fitness and recreation associations, municipalities and all partners in recreation. This should result in more efficient and cost-effective activities.

Despite the recovery, the Conference Board of Canada has predicted continued high levels of unemployment for at least the next five years. Job sharing and the introduction of new technology have also resulted in shorter work weeks for many of the employed. The increased leisure time available to the whole of Ontario's population creates a need for suitable recreation programs and for proper facilities in which to enjoy recreational activities. That is a very important observation to make.

Mr. Stokes: You are saying let them play; they cannot find jobs.

Hon. Mr. Baetz: No, I am not saying you cannot find jobs. I am simply saying you will be able to create as much, or maybe more, wealth by spending less time in the work place than has been possible up until now. That creates more leisure time.

Mr. Eakins: Jack will say no.

Hon. Mr. Baetz: I am not talking about unemployment and I am not even talking about work sharing. I am simply saying you can create more wealth in less time in the work place and the corollary of that is more leisure time. I would hope we could get back to that when we get into the discussion of the estimates.

Last year, the ministry produced a study on the economic impact of recreation which noted the average family spends \$2,300 a year on recreational pursuits. The impact of this on the Ontario economy is significant. Both this study

and the Ontario travel survey demonstrated recreational opportunities are high on tourists' shopping lists when they are choosing a vacation destination. In addition, by investing in recreation, municipalities and the provincial government not only ease the social effects of economic change, but also aid economic conditions by creating new businesses and new jobs.

Ontario's population has been classified by sociologists into four major groups, each with its own needs and demands for recreation.

The older generation, aged over 60, has grown in absolute numbers and as a percentage of the whole. Early retirement has opened up vast amounts of leisure time for many in this group.

Second, the middle generation consists of those in their mid-30s through to those in their 50s. They have more leisure time due to labour-saving devices at home and at work.

What futurist John Kettle calls "the big generation," the large group from late teens to early 30s, looks equally to work and leisure as means to satisfaction with life.

Finally, the group of youths under 17 has declined as a sector of the population. This points to the necessity of reviewing the youth-oriented programs that were aimed at the baby boom generation of the 1960s, so their size and scope be commensurate with the new numbers.

In the past 20 years millions of dollars in public funding have been directed to the construction of recreational facilities. Now is the time to ensure that this massive public investment is protected by adequate maintenance. This requires co-operation with Ontario's municipalities, since maintenance is their responsibility. At the same time, future construction must be carefully planned to provide for multipurpose, adaptable facilities.

Ontario is fortunate to have a skilful corps of volunteers who provide their valuable help in the field of recreation. However, as the importance of recreation, sports and fitness have been more and more recognized by the public during the past two decades, there has been a trend towards the hiring of professionals that has seemingly reduced the role of the volunteer. The increased participation by women in the work force has also depleted the traditional source of volunteers.

Yet their contribution is substantial. The study on the economic impact of recreation estimated the value of volunteerism to the recreation sector at \$200 million per year. This was based on the number of hours they work, multiplied by the average provincial wage.

Today, as fiscal restraint limits the size of staff, it is important to cultivate new sources of volunteers, such as senior citizens, part-time workers and adults with more leisure time. The province must continue to provide the leadership and training required by both volunteers and professionals.

Mr. Chairman: On to our page 50 now.

Hon. Mr. Baetz: We are now on page 54.

Mr. Chairman: Yes, but our page 50.

Hon. Mr. Baetz: No, it is your page 54.

Mr. Chairman: Mine is 50.

Mr. Eakins: We have been shortchanged.

Mr. Chairman: I have the original draft here, I guess.

Hon. Mr. Baetz: It improves all along.

Mr. Stokes: It is difficult when there are no pictures to go by.

Hon. Mr. Baetz: Anyway, under recreation: As Ontario moves through the 1980s and the 1990s, its citizens will have greater amounts of leisure time. The recreation branch has the mandate of ensuring that the province's citizens participate in activities which boost physical and mental wellbeing.

Consideration of the province's economic conditions, state of facilities, population demographics, need of volunteers and anticipated demand from Ontario's people for more recreation opportunities has led to the drafting of a proposed new provincial policy on community recreation services.

This policy has come about after extensive consultation with ministry clients. It defines the leadership role expected of the ministry and it will guide our strategy and operations well into the future. Public discussions on the final draft of the policy paper are currently being held across the province before it is forwarded to cabinet for endorsement.

During this time of review, the ministry has been adapting to contemporary circumstances. For example, as has been noted before, shifting demographics suggested that sponsoring local workshops for persons working with older adults would be useful. In 1983-84, 48 such workshops were held and this number is anticipated to increase by 25 per cent to 60 workshops. Workshop themes include intergenerational programming, training of club executives, leisure counselling and recreation for the confined-to-home elderly.

In the field of camping and outdoor education, the Ontario Camp Leadership Centre introduced

2,500 adults and youths to new camping skills during a three-week session this summer. We all know where that leadership centre is, of course. That is at Bark Lake.

Mr. Eakins: If they do not know, they should know.

Hon. Mr. Baetz: We do not even mention it here because everyone knows it.

9:30 p.m.

The campers traditionally pass along their skills, not to mention their enthusiasm, to others around the province. The associations to which the campers belong represent some 70,000 members.

Camps for the handicapped, such as children with a learning disability, have also been supported by the ministry.

Many organizations provide recreation services and facilities for youth in Ontario and they look to the ministry for philosophical and practical leadership. In 1983-84 the ministry provided financial and consulting assistance to two such provincial groups. The Boys and Girls Clubs of Ontario and the Ontario Council of the Boy Scouts of Canada undertook reviews of their business strategies in order to anticipate and serve better the needs of their members.

The International Year of Youth is in 1985, and the ministry has prepared for this by researching the availability of services for youth in Ontario. A consultant has also been assigned to work with municipalities and provincial organizations in developing recreation initiatives for youth.

A continuing challenge for government and private and public agencies is to co-ordinate the delivery of recreation services. The ministry provides financial support and educational resources for the educational development of community activity leaders, both professional and volunteer.

Municipal recreation bulletins, a series of 19 communiques addressing issues such as financing, community planning and leisure education, have been produced in French and English and distributed throughout the province.

A training program for members of municipal recreation committees is being developed. The program will orient them to their responsibilities and to issues facing the recreation field. Ideas originating at the municipal level with a potential for wide application were reported in the Idea Exchange newsletter.

A number of training seminars and conferences were sponsored, including Recreation

Northwest in Thunder Bay, which attracted 300 delegates from surrounding communities.

The ministry pioneered a certification program for recreation professionals which has come to be recognized as the prime standard for employment in the municipal recreation field. Effective April 1, 1984, the responsibility for certification, along with a special grant to assist with administration, was transferred to the Parks and Recreation Federation of Ontario so that recreation professionals would assume responsibility in setting and maintaining their own professional standards.

Financial assistance to communities and to provincial organizations has enabled them to hire staff whose services they can share. For example, in Parry Sound, a recreation director is sharing his working time with communities in the surrounding area. Previously, none of these had been able to engage the services of such a specialist.

We are keenly aware of the circumstances of unemployed persons, part-time workers and those on fixed incomes, including pensioners and the handicapped. The ministry recognizes that recreation may play a key role in helping people overcome the stress resulting from personal economic situations and other pressures. In co-operation with the municipalities, recreation plans are being developed which will be targeted to these specific groups.

In addition, the ministry has begun a co-operative venture with York University to establish a leisure and quality of life studies centre. The centre will bring together government, business, labour and community leaders as potential equal partners in the development of this centre.

The main objectives of this centre will be, first, to encourage discussion of leisure and its relationship to businesses, labour, government, the university and the community; second, to provide a forum for considering policy and developing strategies and initiatives to meet the changing leisure needs of Ontarians; third, to encourage support and initiate fresh ideas, solutions and approaches to identified leisure and life quality concerns and problems; fourth, to foster research, communication and collaboration in the design and delivery of leisure services; and finally, to be a central repository for a comprehensive range of information pertaining to leisure and leisure services.

In addition, the ministry is conducting a major study to identify the social impact of recreation. The study will complement the study on the

economic impact of recreation which was presented to the estimates committee last year.

The new study will focus on the effects of recreation on the individual, the family and the community. Its results will no doubt be of significant benefit to recreation managers who must defend their budgets before city councils in these difficult economic times. Using the two studies, managers will be able to quantify, in business terms, both the social and economic benefits of recreation programs within the community.

Preservation of recreation facilities in Ontario communities has become one of the ministry's major responsibilities.

Effective maintenance management helps control costs and helps municipalities deliver consistent, efficient services. Recognizing this, an expertly researched manual on maintenance management systems was produced by the ministry and distributed to senior parks and recreation managers of municipalities with a population over 80,000. In addition, they were invited to a conference organized by the ministry and the cities of North York and Scarborough which focused solely on this important subject.

Another manual prepared by the ministry describes how municipalities can set aside reserve funds in preparation for future major expenditures on recreation facilities.

The ministry has also commissioned a study on how and whether present facilities in Ontario communities meet the needs of the province's ageing population. Results to be published will provoke awareness of the issues to be faced by municipal recreation staffs as we move through the 1980s into the 1990s.

The ministry has undertaken a pilot project to demonstrate the effects of revitalizing existing athletic facilities through structural, operational, programming and management changes. The model project will be conducted in co-operation with the Royal Life Saving Society of Canada and will monitor the operation of an indoor swimming pool, showing how usage and cost-efficiency can be bolstered with effective management.

The Parks and Recreation Federation of Ontario is an organization which consists of 10 important provincial recreation associations, including the Ontario Recreation Society, the Ontario Parks Association, the Ontario Arenas Association Inc. and the Society of Directors of Municipal Recreation of Ontario.

Mr. Stokes: Did you miss one there?

Hon. Mr. Baetz: These organizations act as my advisory committee on matters pertaining to sport and recreation issues and to develop co-operative plans to ensure the quality of life for all Ontario citizens.

Mr. Eakins: Where are we?

Hon. Mr. Baetz: We are on page 63. I think we have done quite well.

Mr. Watson: That is more than half way through.

Mr. Eakins: I do not have that page.

Mr. Chairman: There is one paragraph missed out in ours.

Mr. Eakins: There is a page missing or something.

Mr. Chairman: Just a paragraph missing.

Hon. Mr. Baetz: Let us all move to page 63.

Mr. Chairman: We are all in step if we move to page 63.

Mr. Eakins: With the size of your government, you could make sure all the pages are there.

Mr. Watson: That is what Adam said to Eve, "There seems to be a leaf missing here."

Mr. Chairman: I think we could all turn to page 63 and I think all the books should be printed the same way now.

Hon. Mr. Baetz: Are we all set then?

Mr. Chairman: At this point, yes.

Hon. Mr. Baetz: We are now going to a very important and very interesting section on sports and fitness. We are going to set a good example.

The role of the sports and fitness branch of the Ministry of Tourism and Recreation is to encourage participation by Ontarians in physical activities at all levels of athletic ability and interest. The ministry works with more than 100 recognized provincial sports associations, fitness agencies and regional groups to achieve these objectives.

Programs support aspiring athletes at high performance levels, aiding their efforts to attain national team status. In communities across the province programs aim to increase general participation in physical recreation.

A blueprint has been established whereby Ontario athletes generally follow a development path by progressing from the community club level through the Ontario Games and then, as Ontario team members, to the Canada Games, before qualifying for national team status. By achieving membership on the national team,

athletes can compete in the major international games, including the Olympics.

9:40 p.m.

In keeping with the ministry's commitment to help amateur athletes reach national levels of competition, the Ontario Summer Games were conducted in Sudbury in September 1983. More than 3,000 athletes competed in 18 sports. The community derived significant economic benefit from the games and gained the reputation of being a very reliable and enthusiastic host.

The Ontario Games had been suspended pending evaluation. They were redesigned on a championship basis whereby winners in the various sports became provincial champions. This gives our young athletes the opportunity to compete for a meaningful title in a competitive environment similar to that found at the Commonwealth, Pan-American, University and Olympic Games. The Ontario Games are held every two years, alternating between winter and summer games.

In March, the 1985 Ontario Winter Games will be held in St. Catharines, giving a preview of many sports and athletes to be seen at the 1988 Winter Olympic Games in Calgary.

Also in 1985, Ontario will be defending the Canada Summer Games championship when St. John, New Brunswick, hosts the games in August. Ontario, as you know, won the Canada Summer Games flag at Thunder Bay in 1981, and the province also won the Canada Winter Games flag at Chicoutimi in 1983.

Mr. Stokes: Just.

Hon. Mr. Baetz: Just. In 1984, Ontarians represented 57 per cent of the Canadian team sent to the winter Olympics at Sarajevo, and 54 per cent of the Canadian delegation to the summer Olympics in Los Angeles. Ontarians returned from Los Angeles with 44 individual and team medals, an unprecedented accomplishment. This represents approximately 60 per cent of the total medals won by the Canadian team.

The structure of progressively competitive levels is vital to an athlete's development. However, many other components in the system have contributed to Ontario's status as Canada's leading sport province. This development system is regarded as one of the best on the North American continent. It is emulated by a number of other provinces and jurisdictions.

One key element in this system is the ministry's elite athlete assistance program. By extending grants through respective sport associations to athletes for the purpose of training, education and competition expenses, the need for

part-time employment has been reduced, allowing the athletes more time for training. Since the inception of the assistance program in 1977, more than \$2.2 million has been extended to Ontario's young athletes.

Ontario's athletes are dedicated and disciplined. Without the expertise offered by this province's coaches, however, they would not have achieved their generally high international rankings. Ontario pioneered its coaching development program in the mid-1970s and it has since been adopted nationally and internationally. During 1983-84, more than 6,300 coaches enrolled in over 400 training courses at more than 100 host sites. We are committed to the continued development of both professional and amateur coaches across the province.

In these endeavours, the ministry works with the province's 76 recognized sports governing bodies. Many of the associations are housed at the Ontario Sports Administrative Centre, which provides administrative and logistical support to the sports. A major evaluation of the centre's services and structure has been undertaken. It will lead to a more finely tuned, efficient enterprise, geared directly to the needs of its users.

Consultants are employed to work closely with the sports bodies to implement programs and policy. With full-time leaders, sports bodies are better able to plan a co-ordinated approach, not only to the development of elite athletes across the province, but also to encourage mass participation by the general public in these sports. The Ontario Ski Council and the Ontario section of the Canadian Amateur Swimming Association are two examples of associations which have succeeded on both scores.

This year, approximately \$5 million—excluding Wintario grants—is being transferred directly to the sports organizations. Some of their responsibilities include training coaches and officials, organizing regional and provincial competitions, setting standards, improving technical resource aids and generally managing and governing the development of sport in an orderly way.

To ensure that the considerable investment in Ontario sport is being expended wisely, the associations will undergo intensive evaluation during the next few months. The reviews will ascertain that the sports become even more effective service agents to their members and enthusiasts.

The Ontario sports system has proven very successful, especially of late. However, to

ensure that the ministry's philosophy is on the right track for the future, a provincial sports policy task force was appointed 18 months ago. After considerable thought, discussion and research, the task force expects to produce a final report and recommendations within the next few months.

Ontario's sport development centres, mostly located at Ontario universities, combine the most modern equipment and technical resources with the services of top-calibre coaches. The ministry funds seven of these development centres, which are each operated by a sports governing body. The centres train athletes in the disciplines of track and field, basketball, field hockey, soccer, swimming, ski jumping and sailing. High-calibre athletes in similar disciplines are matched with the best available coaches to ensure the best possible performance.

Some of Ontario's most accomplished athletes, including the Olympic double gold medalist, Alex Baumann, trained and improved their talents at these centres. The Canadian women's field hockey team, one of the national squads dominated by Ontarians, rose from obscurity to a ranking of number two in the world prior to the Olympics. They are domiciled at the University of Toronto.

The training and coaching techniques and other information resulting from the intensified work conducted at these centres flow through the sport associations to individual clubs across the province. This results in a broader and improved base of knowledge from which to develop international-calibre athletes.

Public recognition of our athletes' accomplishments helps the ministry promote the value of physical recreation to Ontario's general public. Media attention is generated through several provincially sponsored special events.

The winter Olympians were the special guests at the annual sports award banquet held March 30, 1984, in Toronto, to recognize the accomplishments of Ontario amateur athletes, as well as the invaluable contributions of volunteers and corporate sponsors. This year's banquet had a bicentennial flavour. Past Olympic, Pan-American or Commonwealth Games medal winners going back to 1930 were found, brought to Toronto and specially recognized. They provided inspiration for our present and future high performance athletes.

The summer Olympians received a special tribute at Queen's Park, attended by the Premier (Mr. Davis) and myself. It was followed by a reception hosted by the Lieutenant Governor.

The celebration of amateur sport display opened on the same day, September 13, in the east wing of the Legislature. That is a permanent exhibition consisting of six display cases, along with the Gladstone sculpture awarded annually to the province's athlete of the year. The display is a testament to the history, tradition and accomplishments of Ontario's athletes and sport builders.

The announcement of the province's athlete of the year has become an established, significant event. This year the outstanding amateur athlete of the year was ski jumper Horst Bulau of Ottawa. The world champion curling rink of Ed Werenich of Toronto was named team of the year. Award winners are selected by a committee of sports writers and broadcasters.

Culminating the ministry's list of support activities is the Best Ever Ontario program, which was announced by the Premier on the steps of the Legislature during the province's tribute to its summer Olympians.

The Best Ever Ontario program was developed from a meeting of the provincial ministers responsible for sport and recreation in 1981. In consideration of the opportunities the 1984 Olympics in Los Angeles and the 1988 winter Olympics in Calgary would provide to encourage broad participation and excellence in sport, the ministers established a blueprint committee for high performance athlete development in Canada.

With Ontario playing a major role, the committee worked closely with Sport Canada to create the federal Best Ever program. With each province theoretically supporting a complementary Best Ever plan, the objective is to produce unprecedented performances by Canadian athletes at both the 1988 Winter Olympics in Calgary and the 1988 Summer Olympics in Seoul, Korea.

9:50 p.m.

Best Ever Ontario intends to enhance the performances of the province's athletes by better serving their needs. It is well established that proper coaching, competitive opportunities, training facilities and educational and financial support for athletes are major components in their success. Working through the existing sport development system in the province, Best Ever Ontario will address those needs.

In detail, Best Ever Ontario consists of eight separate components. The individual sport governing bodies will apply for support in developing certain elements according to their needs.

Here, Mr. Chairman, I will just read the title and give you a second to read quietly for yourself what it includes. The first element, as I said, is coaching. Everyone can quickly read what that entails. The second is participation development. Next to that is athlete training and education assistance, followed by facilities and equipment.

On top of page 74 is competitive training opportunities, in other words lots of opportunity to attend various competitive events.

Mr. Stokes: You have not established which of those sports will qualify for the Best Ever funding.

Hon. Mr. Baetz: I think, in one sense, we would not rule out any. We are not confining it only to those who will eventually be going to Seoul or to Calgary.

Mr. Stokes: You will not?

Hon. Mr. Baetz: The overall criterion, however, is best in their field and we are going to move ahead on all of the fronts outlined here.

On page 74 is talent identification. This is followed by Ontario Games. We are going to step up that. The Canada Games are on page 75.

In developing our elite athletes we are going to be moving on about eight different fronts. We will get back to that when we get into the discussions in the estimates.

On page 76 we refer to how the bicentennial Youth Sports and Fitness Festival helped promote participation in sport by involving nine- to 11-year-olds across the province. Games for older adults were run in 28 districts across the province in 1984. Some 12,000 people, 7,000 more than the previous year, competed in 35 sports and recreational activities.

Also during 1984, 163 walk-jog clinics were sponsored throughout Ontario by the ministry. In 140 host communities, more than 4,000 participants, ranging in age from three to 65, participated in clinics which had a bicentennial theme.

Then, of course, and very important to the ministry, the 1984 Ontario Games for the Physically Disabled were hosted by the city of Toronto. These 10th annual provincial games brought together the winners of competitions in five regions across the province. In terms of performances, the 1984 games proved the most successful with nine world, 27 national and 118 provincial records established. In 1985 the games will be hosted by the city of Windsor for the second time.

Mr. Stokes: What do you do in that case? The international games for the handicapped were held in Europe. There was one young lad, whose

name escapes me, who did particularly well. He came from Atikokan. What kind of recognition have you given him or are you planning to give him?

Hon. Mr. Baetz: In terms of having him get over there, we would use the same criteria we would use for Olympics generally. We see the assistance for international athletes to be largely a federal responsibility.

Mr. Stokes: I am thinking in terms of the recognition they receive after they return. I may have missed it; I was looking for it and I did not see it. There was one young lad, a swimmer who got about five gold medals and set four world records, I think. I never saw any kind of recognition for him.

Hon. Mr. Baetz: I would imagine we would have done our very best to recognize him. I would like to get back to that question when we get into estimates.

The ministry remains committed to promoting sports for the disabled. The value of sport as a character builder, as both a challenge and a testament to the capacity of an individual to overcome handicaps, is nowhere more evident than in the accomplishments of the province's disabled athletes.

Mr. G. I. Miller: Are these programs worked in the school system?

Hon. Mr. Baetz: Partly, but not entirely.

The Ontario Regional Senior Games were run in 28 districts across the province in 1984. Sponsored by the Older Adult Centres' Association of Ontario in co-operation with the ministry, the games accomplished several objectives. They provided opportunities for social interaction between older adults, increased personal fitness levels of the participants, helped to enhance mental wellbeing and increased the overall participation of older adults in recreation programs.

Some 12,000 people, 7,000 more than during the previous year, competed in 35 sports and recreational activities. Due to the success of the games, a provincial games council was struck and has already sanctioned 21 activities. The games will hence be administered by the ministry section responsible for the Ontario winter, summer and disabled games.

I am looking at the time here. At the proper time in the estimates I am sure we will get back into this. We will move on to page 84.

Mr. Newman: Is there some reason why you are skipping all the other pages?

Hon. Mr. Baetz: If you want me to, I will read through the whole thing.

Mr. Eakins: What about amateur boxing?

Hon. Mr. Baetz: All right. The ministry has also commissioned an independent, three-person committee to investigate amateur boxing in Ontario. The committee made recommendations concerning the rules, procedures and administration of boxing in Ontario.

I am sorry, Mr. Newman, I had not recognized that you came into the room, or I would never have thought to have admitted this for tomorrow's discussion—

Mr. Newman: I have heard that story before.

Hon. Mr. Baetz: The committee made recommendations particularly as they pertain to the safety and wellbeing of participants, the effect of having two separate governing bodies controlling the sport of boxing, the role of government in amateur boxing and other matters relevant to amateur boxing.

10 p.m.

The ministry supported the recommendations of the committee, which included sanctioning of Boxing Ontario as the sole governing body and establishing the minimum age of 16 for participants to compete in bouts, in accordance with Canadian Amateur Boxing Association rules. These recommendations have been implemented at more than reasonable speed by the member clubs of Boxing Ontario. The ministry, meanwhile, continues to monitor carefully and consider submissions concerning the safety of the sport.

Mr. Newman: Surely you do not call that a sport, do you; to batter one another in the head?

Hon. Mr. Baetz: We will get your views on that.

Mr. Havrot: It looks like politics.

Mr. Newman: Is boxing a sport? The whole purpose of boxing is to knock the other fellow out.

Mr. Eakin: I do not want to interfere with your carrying on, but does Clyde Gray, the Ministry of Consumer and Commercial Relations athletics commissioner, have an involvement in this background report on amateur boxing?

Hon. Mr. Baetz: No. Clyde Gray works for a different ministry.

Mr. Eakin: That is what I mean.

Hon. Mr. Baetz: Obviously, we co-operate with him, but no, he was not involved in this.

Mr. Eakin: Okay.

Hon. Mr. Baetz: The ministry recognizes that not everyone wishes to participate in organized sports. Everyone, however, can benefit from exercise, as has been repeatedly proven in scientific studies. Our concern is to co-operate in the promotion and execution of fitness services in order to ensure fiscal efficiency. The ministry has met with various fitness-concerned agencies to explore the means of revitalizing general interest in fitness programs. Our objective is to define the role of government while ensuring that the fitness message continues to be carried to Ontario residents.

Ministry programs are currently geared to building public awareness and developing community resources to promote fitness. In 1983-84, the ministry trained 1,400 fitness leaders and workout practitioners at the community level through 40 Fitness Ontario leadership workshops. Also, 90 agency staff were trained to run their own volunteer development programs. This leadership ensures quality fitness instruction throughout the province.

A series of fitness-related workshops on nutrition, pre-natal and post-natal fitness, dance and stress management have been developed. The last is especially significant because studies point to the toll the work place exacts on the mental and physical wellbeing of the individual.

One such research report was conducted among Ontario Hydro workers who volunteered to participate in a fitness program. The employees reported increased alertness, confidence and enthusiasm for their work. Decreased absenteeism and tardiness were among the other positive ramifications demonstrated by the study.

The ministry continues to hold consultation with companies interested in sponsoring employee fitness programs. Between 15 and 20 per cent of business corporations, such as Shaklee Canada Ltd. of Burlington and Bell Canada of Toronto, currently offer fitness opportunities to their employees.

The FitFive program stresses that fitness can be gained by doing activities other than calisthenics. It continues to be promoted by private sector companies, the Young Men's and Young Women's Christian Associations and municipal recreation departments to their clients and employees. The program operates by awarding points as an incentive to the individual. The points are assigned on a formula based on the nature and frequency of more than 50 types of activities, from gardening to pickup basketball.

To ensure that interest and momentum are maintained in fitness activities, the ministry supported the establishment of the Ontario Fitness Council, located in the group fitness office in the Ontario Sports Centre. Its prime role is to co-ordinate and distribute information to all those involved in the fitness movement in Ontario.

The group fitness office includes the council, the Ontario Association of Sport Sciences and the Fitness Ontario leadership program. The leadership program offers ongoing training for men and women interested in becoming fitness instructors.

The Ontario Association of Sport Sciences is responsible for training and certifying fitness centres. The council is an information network for fitness leaders and represents their interests in dealing with the ministry.

Mr. Newman: Can I ask you a question now?

Mr. Chairman: Jump in quickly.

Mr. Newman: Does your ministry approve of the fitness studios throughout the province, and do you regulate them or control them in any way?

Hon. Mr. Baetz: We are not a regulating or a controlling body. That would be the Ministry of Consumer and Commercial Relations.

Mr. Newman: In other words, you do not care whether they are actually performing what they advertise. Somehow I feel they are not controlled. There is no one to ensure that they are giving value for the dollar or that the exercises being prescribed are not harmful to the individual.

Hon. Mr. Baetz: I would not say we do not care. We care, of course, if they are not helping people, but the regulating ministry is the Ministry of Consumer and Commercial Relations.

Mr. Newman: Yes, that is right.

Hon. Mr. Baetz: We would look to them for leadership in that field.

The ministry emphasizes promotion of physical fitness programs for children. We consult in the design and development of youth fitness with educational institutions, youth, sports and recreation centres. We also plan to provide information to parents regarding the importance of physical activity in the growth and development of their children.

During the past year, the creation of the field services division was a reflection of the ministry's two major strategy thrusts: first, the determined progress towards a cost-effective, streamlined organization; and second, the in-

creasing importance of our role as advocates of the tourism and recreation industries.

I have spoken of the programs of the tourism and recreation divisions. The field services division staff implement many of these programs by dealing directly with ministry clients, and the following are some brief illustrations of this work.

Five regions were defined: northwest, northeast, east, central and southwest. Regional offices were established accordingly in Thunder Bay, Sudbury, Ottawa, Toronto and London. Field consultants staff offices in 21 communities throughout the province.

Recreation and tourism offices, which previously were located in separate buildings, are now combined. The two divisions are sharing resources and information while advising ministry clients on finances, business strategy and internal organization.

The reorganization included formation of a grants administration unit in the Toronto head office of the ministry. Fully computerized, the unit has been assigned to undertake a full review of grant programs, and especially Wintario, with participation from all concerned ministry branches, private sector groups and sport associations.

The review will consider needs for future recreation plant investment against current criteria for grants eligibility. The review will also determine the extent to which ministry grants stimulate private sector investment and will assess the resulting economic spinoff in Ontario communities, including job creation.

As the new grants policy is being developed, the ministry in the meantime is meeting all previous grant commitments. We have strengthened our commitment to represent the tourist industry in dealings with other ministries and other levels of government. To municipalities we have said developing tourism should be a strategic priority, since it is labour-intensive and generates direct benefits to the tax base.

Our educational municipal awareness program has been presented on 250 occasions, and 30 municipalities have initiated special committees to explore tourism operations. Some \$700,000 in municipal funding was stimulated directly by this campaign in 1983-84 and more is expected.

Our consultants and senior field staff are co-operating with several government of Ontario ministries on various projects, while protecting industry interests.

In the Atikokan area, near Thunder Bay, a pilot project has been undertaken with the

Ministry of Natural Resources and the Ministry of Northern Affairs to determine development options with the objective of optimizing tourism benefits in conjunction with other resource activities.

Tourism consultants provide financial, management and operational assistance to owners and operators, who are the backbone of the tourism industry. In 1983-84, the field tourism staff made 3,300 consulting contacts. The field staff arranged 124 Ontario Development Corp. loans to operators, for a total of \$10 million, resulting in the creation of 1,048 full-time jobs.

10:10 p.m.

The tourism field staff played an active advocacy role in many regional programs where development money was being made available. For example, under NORDA, the northern Ontario rural development agreement, 158 applications for financial assistance were successfully processed, for a total of \$5.1 million, creating 32 full-time jobs.

Tourism consultants have been active in advising regional travel associations on marketing strategies. Under the Ontario travel association program, OTAP, the ministry matches marketing dollars raised by associations on a one-for-one basis and on a two-for-one basis in northern Ontario. The program has encouraged co-operation among travel groups and associations and has resulted in marketing strategies that are complementary to the "Ontario—yours to discover!" program.

Tourism field consultants provided advice and business analyses for 85 projects which did not involve financial assistance. These projects included resort expansions, new attractions and the like. They resulted in 700 new jobs in the province in 1983-84.

Tourism field staff keep in touch with the public in an assortment of ways. In 1983-84 for example, they participated in seven sport shows, sat on 34 land use committees, issued 6,000 tourism licences and investigated 259 complaints.

Similarly, recreation field staff work to improve the effectiveness of recreation organizations by promoting sound financial management. One of their key roles is to encourage co-ordinated planning of recreation services and facilities across the province. Their advocacy role is best accomplished by bringing together the professionals and volunteers intricately associated with the recreation complex in Ontario.

Last year, some 1,850 workshops, seminars and conferences were sponsored directly or

indirectly by ministry staff. For example, in Stoney Creek, the city and the ministry co-hosted a conference which brought together 60 local communities to discuss area recreation resources. In Ridgetown, a sports management program focused on the operation of sports facilities and strategies for working with community sport groups.

In the Ottawa-Carleton area, 110 guests representing 80 companies attended a minister's luncheon on employee fitness. In Metro Toronto, a series of four executive briefings dealt with the economic impact of recreation policy and tourism as it involves recreation at the municipal level.

Recreation field consultants also have the important role of processing grant requests. The grant programs include Wintario capital, Wintario operating, the Community Recreation Centres Act and the grant for municipal recreation programs. Up to 10,000 grants were processed by the consultants in 1983-84.

Consultants also administered the recreation component of the experience program funded by the Ontario Youth Secretariat. Some 1,500 students were employed during the past winter and summer.

Starting on page 96, Mr. Chairman, I want to deal with parks, attractions and agencies.

Mr. Havrot: It is page 92 in my book.

Hon. Mr. Baetz: You are on page 92 and I am on 96.

Mr. Watson: You are ahead of your time; we will go by your script.

Hon. Mr. Baetz: That is the last time I am going to try to give you guidance on which page to be on. It is misguidance. Anyway, we are now under parks, attractions and agencies; we all have that.

The ministry is responsible for several Ontario parks, major attractions and crown agencies. In all cases the senior executive officers report to the senior ministry management. Ontario parks and attractions go far beyond providing today's sophisticated traveller with fond memories of picturesque landscapes. They form a strategic element in the province's tourism mix, offering recreation, accommodation and other amenities to the travelling public.

More and more, attractions motivate travel. People take trips to see and do things, to enjoy experiences and to be entertained. The drawing power of the province's attractions will increasingly influence the success of the accommodation, food service and other sectors of the travel business.

Moreover, the single-destination vacation is growing in popularity compared with the touring or driving vacation. This works to the advantage of attractions, but the bottom line in the attractions business is that to survive, you have to be astute in both developing your product and selling it.

I stated earlier that it is vital for the tourism industry to continually evolve through improvement or risk falling behind.

The major priority in the new federal-provincial development agreement will be the generation of year-round destination resorts and attractions. It will greatly assist the tourism industry in undertaking the investments needed to keep pace with the changing travel market.

Attractions Ontario, a council started with ministry assistance last year, works for its private and public members to promote co-operation, maintain standards and act as a common voice when dealing with government. The emergence of this organization signals the importance with which the government regards the attractions component of our tourism industry.

Consolidation of the government's parks and attractions with the ministry has resulted in many ongoing capital improvements. For example, the St. Clair Parkway Commission anticipates that the \$53-million Sarnia Bay waterfront project will be open for the 1985 season. The marina there is being financed through a \$2.75-million Board of Industrial Leadership and Development grant along with \$850,000 from the federal government. The marina will complement existing facilities by filling a need for mooring space. The new facility will accommodate 253 boats, drawing visitors from London, Windsor, Detroit, Port Huron and other centres.

Ontario Place in Toronto drew 2,122,000 visitors during 1984, as it featured many bicentennial events, including the sailpast of the tall ships. The ministry, as would a private sector entrepreneur in attractions, recognizes that revitalization through capital investment is an essential ingredient to future competitiveness. A five-year plan has been adopted to improve Ontario Place. The \$10.8-million first phase of the program includes redevelopment of the west island, which we announced yesterday.

The centrepiece of the project will be a wilderness flume ride, a four-minute thrill that will take riders over rapids and canyons and through waterfalls and tunnels.

Interjection.

Hon. Mr. Baetz: For \$2. That is a big bargain, really.

Market research says the flume ride will increase attendance substantially. The west island village will be altered to provide more take-out service and renovated for existing restaurants to specialize in northern fare—I do not know whether that includes whitefish livers, but it could—

Mr. Stokes: It had better be good.

Hon. Mr. Baetz: —and customized to include a retail outlet that will merchandise goods exclusively from northern Ontario.

I might just say here that this whole flume ride is a wilderness ride and it blends in with the northern Ontario atmosphere that has been created on the west island.

Mr. Havrot: Blackflies included?

Hon. Mr. Baetz: We have no blackflies, but we might be able to import some of those.

Mr. Havrot: It gives it that flavour.

Mr. Stokes: Listen, if you have nothing nice to say, do not say it.

Mr. Watson: Okay, we will not say the rest of it.

Hon. Mr. Baetz: Quite seriously, and we can get into a discussion on this, it is not just a flume ride. It is going to reflect the whole character of northern Ontario, and I am quite proud of that.

The water stage will be a new entertainment venue and focal point of the west island village. Short, cabaret-style shows celebrating Ontario will be featured regularly throughout the day, and dance bands will perform on the new stage in the evening. Improvements will also be made to the park's west entrance.

Site improvements carried out during the past year at Ontario Place include development of three fast-food restaurants, refurbishing of the children's water play area, repairs to Forum equipment, computerization of operations, plus development of sewage and signage operations.

In addition, the Ministry of Northern Affairs carried out a full-scale renovation of Ontario North Now, resulting in a 20,870 increase in attendance at the Ontario Place exhibit. The corporate sponsorship program showed increased revenues of \$407,000 from \$263,000 the year previous.

10:20 p.m.

The Niagara Parks Commission, whose objective is to preserve and enhance the beauty of the Canadian Niagara Falls and surrounding district, undertook 16 capital works projects financed by income from 1983. The project included Aero car and Victoria Park restaurant renovations.

Additionally, \$713,000 was invested in a long-term fund designed to alleviate traffic problems in Queen Victoria Park.

Niagara parks remain popular with visitors, attracting 2,908,757 people for the year ended October 31, 1983.

Mr. Stokes: More than Ontario Place.

Hon. Mr. Baetz: It is very big.

To alleviate parking problems—I believe our market people showed us that the average tourist spends only 12 minutes in Niagara Falls because often there is no place to park. Tourists just look at the falls and go through. We are helping Niagara Falls to find places to park to get people out of their cars and see the falls, enjoy themselves and spend a little bit of money.

Even better results are expected for 1984, with gross revenue up approximately \$2 million as compared to a year previous. Much of the increased traffic has come from outside a 500-kilometre radius, which is very encouraging news as the commission prepares for its centennial in 1985.

The St. Lawrence Parks Commission in eastern Ontario operates Old Fort Henry, Upper Canada Village, 15 provincial parks, a golf course, marina, bird sanctuary and much more. Recently, the commission welcomed Her Majesty Queen Elizabeth II during the official opening of Fairfield House, a renovated historical site built originally in 1792. It is a beautiful place, and I encourage all of you to see it. Her Majesty received the provincial gift of a horticultural park installed at the entrance to Crysler Park to commemorate the occasion. When we get into estimates discussion, I hope to say a little more about that. I believe that event went largely unnoticed.

Other projects completed were renovation of Bellamy's Flour and Grist mill at Upper Canada Village and construction of shower facilities in four parks. The commission also sponsored a second Fort Henry guard which toured the province giving performances at various places.

The Huronia historical parks administers the historic naval and military establishments, which include a restored 19th-century British military and naval defence outpost in Penetanguishene. This summer featured the launching of the full-scale replica of the HMS Schooner Bee, constructed under the auspices of a \$1-million Canada-Ontario employment grant. Huronia also includes Sainte-Marie among the Hurons at Midland, a reconstructed Jesuit mission, as you all know. In honour of the bicentennial celebrations, Sainte-Marie hosted a reunion of 50

descendants of the original Sainte-Marie inhabitants this summer.

The mission gained enormous national and international attention when Pope John Paul II visited the shrine of martyrs Jean de Brébeuf and Gabriel Lalemant in September. Approximately 100,000 visitors travelled to the site for this event and we anticipate the shrine will become an annual pilgrimage spot for many people. Preparation for the visit required such intense co-operation between the ministry and surrounding region that local tourism will benefit greatly from the results.

Old Fort William, a preservation of the fur trade heritage of the North West Co., featured the opening of the fur stores building and the beginning of construction on a new entrance area and visitors' centre. During the summer, the fort welcomed the Rendezvous Fort William canoe expedition. The 36 paddlers were celebrating the bicentennial anniversary of the province and of the North West Co. by following an old fur trade water route from Lachine, Quebec, to Thunder Bay. They endured hail and snow and four-foot waves along the route. I was there to meet them and it was an incredible experience.

Also in the northwest, Minaki Lodge sales are anticipated to be \$2.9 million—

Mr. McKessock: How much of a loss is that?

Mr. Eakins: It will never lose.

Hon. Mr. Baetz:—for the 1984 season, which concluded November 8. That is \$250,000 more than projected, due to an occupancy rate of 73 per cent, more than 10 per cent better than the provincial average for other resorts. In its second full season of operation, August, with a 92.1 per cent occupancy rate, and October, with 84 per cent, were the best months. There are 5,337 group sales contracts signed for 1985. In 1984, 52 per cent of room nights were accounted for by groups.

Here is some more good news. The lodge employed 180 people in 1984, up 30 from the first year.

The ministry in 1984 was also negotiating operating responsibilities for the Metropolitan Toronto Convention Centre and Canada's Capital Congress Centre. As I said earlier, both will be dominant in the conventions and meetings sector, a vital component for the future of tourism in Ontario.

Then we have another success story. The 90-metre and 70-metre ski jumps at Thunder Bay are now in use for an average of 150 training days per year. More than 200 Ontario athletes used the facility as a training base in 1983-84. The jumps

have established an enviable international reputation as a world-class facility and each year the Molson World Cup of ski jumping gains television exposure for Ontario in the United States, Canada and Europe. If you want to go up there—I think it is December 9 this year—I am sure we can arrange it.

Mr. Eakins: Ski jumping, is that where you jump off and land on someone else's property?

Hon. Mr. Baetz: That used to be, now it is all arranged. It is all our property.

Mr. Eakins: You bought the property?

Hon. Mr. Baetz: Yes, you can land knowing that you are safe at home.

We have three minutes, Mr. Chairman.

The Ontario Lottery Corp. develops, conducts and manages lotteries on behalf of the Ontario government. Profits are distributed to several provincial ministries, including the Ministry of Tourism and Recreation, for sports, fitness and recreation. In 1984-85, the OLC expects to produce total sales of \$741 million. Approximately half that amount will be awarded in prizes and a third—\$222 million—will be received by the government as proceeds. The remainder will be used for operating expenses and commissions.

Continuous public support for Ontario's lotteries has generated more than \$1 billion to help fund a very diverse range of public projects. Proceeds of \$216 million were produced in the last fiscal year. Ticket sales reached an all-time high of \$661 million and prizes totalled \$341 million.

Then we have, of course, the largest prize in North American history, tax free that is—

Mr. Eakins: I wonder what Ottawa would say about that.

Hon. Mr. Baetz: They get the taxes on the income.

Wintario grants through this Ministry, for example, assisted in creating the Martin Goodman Trail for cycling along the Toronto waterfront and the Cornwall Hall of Fame gallery which commemorates individuals who have contributed to local sports history.

The moneys received as lottery proceeds channel back into Ontario, creating ripple effects in the economy. Grant dollars have been very supportive of culture, science, recreation and the construction industry, to name a few. Wintario's capital grant system alone has channelled more than \$300 million into capital projects.

Who are buying the lottery tickets? We keep hearing it is only the poor. A recent statistical survey conducted for the Ontario Lottery Corp.

shows that lottery players come from every income bracket, age and education group. About 76 per cent of the population regularly buy lottery tickets for two principal reasons. First, for their low-cost entertainment value; and second, because lottery profits assist thousands of socially beneficial projects, some of which are visible in the buyer's own community.

Players spend an average of \$8.50 a month on tickets. Of players, 58 per cent spend less than \$5 per month, 15 per cent spend between \$5 and \$9, and 25 per cent spend \$10 or more. Players at both extremes of the income groups tend to spend less than those in the middle groups.

The Ontario government earns a reasonable return for spending on projects due to the highly efficient management of the Ontario Lottery Corp., which continues to respect the social implications of lotteries.

Finally, the Trillium Foundation, an agency of the ministry, was established in September 1982 to distribute lottery proceeds to province-wide, voluntary social service organizations. In its first full year of operation, some \$15.3 million was granted, with an additional \$29.5 million granted and pledged in the first half of this fiscal year. Some 1,300 groups have benefited, extending the work of the 30,000 volunteers.

There has not been much said publicly about the Trillium Foundation, but I think it is the largest social service foundation in North America, probably in the world. I would like to be challenged on that. That is a fact. It is just enormous.

10:30 p.m.

In closing, I would like to indicate we believe we face a new period of co-operation with our interprovincial and federal counterparts. The resolution of the Sports Pool matter and the signing of the tourism subagreement of the economic and regional development agreement are concrete examples of this spirit and we look forward to more joint efforts of this kind. Thank you.

Mr. Chairman: I would like to congratulate you. Your final "thank you" came just at the time the bells rang.

Mr. Eakins: Before closing, I want to mention one thing briefly—

Mr. Chairman: Excuse me, before the minister gets away, we will be back up in room 228 tomorrow morning and back in this room on Thursday evening.

Mr. Eakins: While the gentleman is present, you mentioned this year's banquet had a bicen-

ennial flavour, in that past Olympic, Pan-American and Commonwealth games medal winners going back to 1930 were found, brought to Toronto and specially recognized.

I wonder if Mr. Newman was invited to attend that. Mr. Newman was Canada's first Olympic gymnastic coach. I would think that, in talking of a bicentennial flavour, here we have one among us who has made a great contribution to sports. Mr. Newman should be recognized for the great contribution he has made.

Mr. Newman: Not only Olympic Games coach, but World Games coach and Pan-

American Games coach. The first gold medals came to Canada in the Pan-American Games from athletes I started.

Hon. Mr. Baetz: I will check into the criteria and see.

Mr. Eakins: He has made a tremendous contribution.

Mr. Chairman: Thanks for bringing that to our attention, Mr. Eakins. We really appreciate that.

The committee adjourned at 10:31 p.m.

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Hansard

Official Report of Debates

Legislative Assembly of Ontario



Standing Committee on Resources Development
Estimates, Ministry of Tourism and Recreation

Fourth Session, 32nd Parliament
Wednesday, November 14, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, November 14, 1984

The committee met at 10:10 a.m. in room 151.

ESTIMATES, MINISTRY OF TOURISM AND RECREATION (continued)

Mr. Chairman: I call the meeting to order. I recognize a quorum, barely.

Does the minister have anything to add to his statement of last evening?

Hon. Mr. Baetz: Thank goodness, Mr. Chairman, no.

Mr. Chairman: We will all be pleased to hear that.

Mr. Eakins, I turn it over to you for your response to the minister's statement.

Mr. Eakins: Thank you Mr. Chairman.

Minister, your statement last evening certainly was a very comprehensive one. I have not had an opportunity to review it, as I would like to, but I will be taking a look at it. I am sure that during the course of the estimates we will be concentrating on some of the remarks you made.

Initially, I want to express my appreciation for the co-operation you have shown to me as the critic in the last year since our last estimates, and also the members of your staff.

I am delighted to see your staff here with you because there is one minister who does not allow his staff to come. He feels he is competent to answer all the questions.

It is important to bring the staff members who have expertise in various fields and who can provide the critics and other members of the Legislature an opportunity to talk to them, to question, and to find out more about the operation of the ministry. The only way any minister can do that is to have his people there. I commend you for bringing your staff.

I want to say to your staff members that I appreciate the courtesy which has always been extended to me whenever I have called for information, or when my office or researchers have called. Your staff has always been excellent in trying to provide information we have asked for.

I also want to extend my congratulations to your new deputy minister, Mr. Tom Gibson. I am delighted to see the appointment of Mr. Gibson for a number of reasons. I know he has a

good track record in the field of tourism. He has wide experience through the ministry. He has come up through the ranks of the ministry staff. He was posted to Ontario Place.

I think it is important to encourage staff to come up through the ranks, to let them know there are opportunities, if they do a good job and their work is satisfactory, for them to advance within the ministry. For that reason, I am delighted to see that one of their own, so to speak, has been able to achieve the rank of deputy minister. I want to congratulate you, Tom, on the appointment. I will certainly look forward to working with you. I have every reason to believe you will be a good deputy minister.

Talking about the staff, I also want to say that your field staff have been very co-operative. I mention especially Mr. Mike Walker in Peterborough, who covers a very large area; certainly Victoria-Haliburton alone is a very large area. He has always been very co-operative and available to meet with the people out in the field. For that reason, I want to say the people who represent you out there have also been very helpful to me on a number of occasions.

I am pleased to be addressing once again the estimates for the Ministry of Tourism and Recreation. As the minister knows, it is an area I have been dealing with since my election to this House in 1975, and therefore I look forward to a fruitful discussion on the state of this very important sector of Ontario's economy.

The importance of tourism can be summed up simply by the following facts. It is a \$6.4-billion industry for Ontario, providing employment for some 361,000 persons, of which 204,000 are direct jobs and another 157,000 are generated indirectly. It provides almost \$1 billion in tax revenue alone for the province.

Perhaps more important, I cannot think of any other industry that holds as much potential for the future of Ontario than does tourism. Yet I fear it is an industry that this province in many ways seems to have taken for granted. The throne speeches and budgets of the past couple of years have held virtually nothing for our tourism sector. As a result, tourism, which used to be Ontario's second largest industry, has now slipped to third place. I am subject to correction

on that; I believe it is now behind the automotive and chemical industries.

In fact, one of the major disappointments of Ontario's 1984 budget was its failure to deal effectively with our tourism and hospitality sectors. Perhaps it was due in part to the fact that we had been led to believe that we had a Treasurer (Mr. Grossman) with a particular sensitivity to this sector as a result of his former position as Minister of Industry and Tourism. I would like to quote him from January 1984. The Treasurer said:

"You will know of my deep commitment to tourism dating back to my time as Minister of Industry and Tourism. My deep awareness of those problems, of course, has caused me to meet, soon after I got these responsibilities"—that is of Treasurer—"with some people from Tourism Ontario. They shared these kinds of concerns with me."

The Treasurer continued:

"One of the reasons we adopted this prebudget consultative approach was to share those concerns with the public. We have to finance our activities in one way or another...."

"The tourism industry, be it through the accommodations tax, the price of alcohol or the price of gasoline, has been the subject of an increasing cost due to government taxing measures over the past few years. Whether we can distribute that elsewhere or distribute it a little more equitably within that particular area is something we have to discuss very intensely over the next few months."

I raise this issue with the committee at this time because it appeared to be hopeful from a tourism point of view, but unfortunately it was all talk, especially from one who would aspire to be Premier.

This year's budget, after the consultative process, the prebudget submissions and the unique sensitivity of the Treasurer, still fails to deal with the problems facing the tourism sector following a year which we now know is likely to have the worst tourism deficit in this province's history.

Our tourism deficit—the net loss of tourist dollars to other provinces and countries—had been progressively shrinking. In fact, it had shrunk to \$392 million in 1980 and \$341 million in 1981. But in 1982 this trend had reversed and our deficit began increasing once again, to \$429 million. In 1983, in the absence of any corrective action by the government, preliminary estimates indicate that it may have soared to some \$734.6

million, which is a tremendous increase, you will admit.

Despite the increase, tourism—previously our second industry, as I mentioned—has slipped to third place in the province. The reasons for this slippage have been made clear to the minister, just as they were to the Treasurer during his prebudget consultative processes.

I believe we are overtaxed and therefore we are overpriced and have lost much of our competitive advantage. Nowhere is it more evident than in our centres close to our neighbours in the United States, where liquor, tobacco, gasoline, meals and accommodation are taxed in drastically different ways. Our border towns are the prime examples of what happens through overtaxation. As a result, our visitors from the United States, the second largest tourist component after Ontario residents themselves, have fallen by some 20.1 per cent since 1981.

Yet the 1984 budget contained nothing more than a tax rebate on accommodations for out-of-province visitors, which does nothing to address the problems of our tourism sector emanating from our inability to offer a competitive product. Also, it is a program lasting only seven and a half months, which may not cost the Treasury even \$500,000. If it is advertised the way the current visitor's tax rebate program is, perhaps no one will even know about it.

Out of the Board of Industrial Leadership and Development program will come \$30 million over the next five years—I think this was in the last estimates—with a matching \$30 million from the federal government for enhancement of our tourism sector.

10:20 p.m.

Finally, if the tourist operators, who are the big losers in this budget, want to participate in the much-touted Ontario young travellers program, it will cost them collectively \$1 million a month to provide their portion of the salaries. As well, there was no relief for the restaurant and hospitality sectors. We remain one of only two provinces not providing a tax-exempt line or a tax-exempt meal.

The cost of alcohol, particularly in licensed establishments, remains the main reason for the decline in revenues in this sector. In 1983, revenues of licensed establishments in Ontario grew by only 1.5 per cent, which is really a negative growth after taking inflation into account. Yet no relief was offered for this sector.

Let us remember the high cost of alcohol does not just affect the drinker; it affects everyone who wishes to dine in a licensed dining room, because

such an establishment must adhere to a 60:40 ratio for sales of liquor to food. Every time the price of alcohol is increased, that restaurant is forced to take other actions which increase the cost of eating out for everyone.

The effect of this is not confined to the hospitality trade. Tourists who feel themselves ripped off in restaurants and bars are less likely to spend in retail stores or to return at all. Still, there appear to be no policy changes to provide relief for this sector.

As recently as last month, I read another press article on the effect of government taxation policies particularly felt by American visitors. The article confirmed what we all know is happening: Despite a 30 per cent edge in spending power, Americans feel it is just too costly to eat, drink and holiday in Ontario. Despite their dollar advantage, we are just not attracting the tourists, many from the United States, that we should be.

Visitors from the United States, our second largest tourist component after Ontario residents themselves, reached a high of 28.3 million in 1981. The very next year, that figure plummeted by 21 per cent. It is not just resort operators who feel the pinch. As you all know, it is the restaurants, stores and various locally provided services that benefit, and in some cases survive, due to the spinoff of tourist dollars coming into their area.

As an opposition party, we recognized the value of the tourism industry to this province as long ago as 1976 when we set up a task force to study the problems of the industry. The minister is well aware of that. We toured the province, hearing briefs from those associated with the tourism sector. We made some 24 recommendations to improve the industry. The government certainly has addressed most of our recommendations by now. However, I feel the government has failed to deal with the new problems that have since arisen.

When we consider the growth of tourism on a worldwide basis such that it could be worth \$120 billion globally by the year 2000, and that it clearly could become the largest industry for this province, we want to be sure to have the structure and the policies in place to benefit from this growth and to realize our potential. If we do not let this industry operate as it should, then as a province, Ontario loses. We now know this has happened and can continue to happen.

Given the growth of the tourism sector throughout the world in the past decade, Ontario's share of world tourism expenditures

actually fell from 4.2 per cent to 2.7 per cent. In reality, while millions more people visited Ontario this year than a decade ago, and spent billions more dollars here, our share of potential visitors to Ontario has actually decreased. Clearly, we want to make sure this does not continue to happen.

The point here is that if Ontario had maintained its share of the world tourism market since the early 1970s, our economy would have been richer by \$850 million. The provincial government revenues would have been \$375 million higher, and perhaps most important of all, 58,700 more jobs would have been created for Ontario.

The simple fact is that this sector has not recovered because Ontario no longer offers cost-competitive products and services to either our domestic or foreign customers. When Americans compare the prices of our alcohol, accommodation, gasoline and now even our prepared meals, there is no advantage in a holiday here even with the increased value of their dollar.

Garth Campbell of the Tourism Industry Association of Canada was commenting on the number of activities such as the Pope's visit and the Queen's visit. He was quoted in the *Oshawa Times* of January 27, 1983, as saying, "I would be a hell of a lot happier to see the basic problems of the industry tackled, rather than the 'flash in the pan' things."

I would not say those visits are "flash in the pan" things. But it shows the frustration of some people who would like to see the basic problems of the industry dealt with rather than depending on certain special events.

Minister, when the problems are so obvious, why not deal directly with them? As an alternative to holding an event, why not change your taxation policies? Would the costs be drastically different just to make it easier for this industry to survive on its own rather than trying to stimulate it to camouflage the deterrent effects of your taxation policies?

I want to mention a few of the areas I would like to get into more fully during some of the votes.

I would like to talk briefly about some of the initiatives for interministerial co-operation because I feel this is one of the areas where your ministry can play a very important part. I believe you mentioned in your opening statement the co-operation you received from various ministries. However, I feel your staff could have a greater effect than it has had in the past.

First, during your reply, would you let us know whether you have assessed the impact of the federal government's economic statement, which is the one by Mr. Michael Wilson, on tourism in Ontario? We should hear from you in that regard.

The federal government has indicated it wants oil to rise to world prices. Has the ministry calculated whether this will have a detrimental effect on our tourism industry and specifically how many jobs might be lost in that sector? Of course, because of the provincial ad valorem tax, the increase in prices will result in a windfall of somewhere between \$60 million and \$70 million to the Treasury of Ontario. Has the minister approached the Treasurer about having most of those additional revenues redirected to the tourism industry by either a direct increase in your operating budget or some tax initiative such as a reduction in the sales tax?

With respect to transportation, I would like to point out that it is one of the highest employment multipliers—3.11—in the tourist industry; therefore, an increase in oil and gas prices will have a significant impact. I would like to know what the minister is doing about that because, as I see it, it is going to have a big effect on people travelling not only in Ontario but throughout Canada.

I believe you mentioned in your opening statement that many people are going to a destination and remaining there rather than doing a lot of travelling. Perhaps the high cost of gasoline is one of the reasons.

10:30 a.m.

Regarding your comments on interministerial co-operation, will you report to us on your involvement with the Ministry of Transportation and Communications? There are many parts of this province—municipalities on provincial highways and tourist areas—that are not served by any bus or transportation route. Have your people taken a look at serving those areas? I can think of Highway 60 leading into Algonquin Park as an example. I can think of provincial highways up in the Haliburton area on which there is no transportation whatsoever. For people who do not have their own transportation, it is just not possible to get into many of our lake areas.

I am wondering what your advice is to the Ministry of Transportation and Communications in regard to the construction of highways and the upgrading of our highways, which is having a very serious effect on travel. The condition of many Ontario roads has deteriorated, as you know, and especially municipal roads.

In Victoria county, the percentage of municipal roads that do not meet provincial standards is about 42 per cent; in Haliburton, it is 43 per cent. In the district of Muskoka, represented by one who would aspire to be the Premier, the member for Muskoka (Mr. F. S. Miller), I think it is about 52 or 53 per cent. In Stormont, Dundas and Glengarry it is 79 per cent.

I might mention that the Ontario Road Builders' Association estimates that the condition of the roads costs the average Ontario motorist about \$200 a year; they call it the bad roads tax. While you might say this has nothing to do with tourism, I think you should be using all the muscle possible to convince the Minister of Transportation and Communications (Mr. Snow) that good roads are important to tourism as is the construction of highways that lead into tourism areas.

I am thinking particularly—you may be aware of this—of the proposed Highway 89, leading from Highway 400 and Highway 11 going north. There is no direct route coming east if someone wants to visit Victoria county, such as the Lindsay, Fenelon Falls and Bobcaygeon area and the Peterborough area. There is a proposal to build Highway 89—I do not know where it stands at the present time—but I feel that if we are going to encourage people to visit that area, there must be much easier access.

For instance, if people from out of the province or other parts of the province are visiting Canada's Wonderland and want to visit Victoria county, the Haliburton area or the Peterborough area in eastern Ontario, the only direct route is to go back down from Canada's Wonderland to Highway 401 and head east and then head north again. I do not think that should be so in this day and age if we are going to extend the tourism market.

This is an area in which you could impress upon the minister that it is important that a more direct east-west route be developed for the promotion of tourism in this province.

If someone wanted to leave the same area to go to Barrie, he would have to head north to Orillia, go around Lake Simcoe and down to the Barrie area. There should be a more direct route. Even those who are familiar with the area have a very difficult time finding their way across back roads and concession roads. I think the construction of better highway routes is important to the development of tourism in Ontario.

While we are discussing the Ministry of Transportation and Communications, I would also like to point out an area in which you can

have a great effect on tourism in this province, and that is by discussing with MTC a more sensible and up-to-date system of highway signs in regard to direction for our tourists. I want to point out just one or two examples, about which I know the deputy minister will be very much aware. This is only symbolic, I am sure, of what is happening in many areas of the province.

If tourists heading up into a very large resort area, whether it is the Kawarthas or up into the Haliburton area, want to go to the Bobcaygeon area, for instance, which is right on the Trent-Severn canal system and which is a very large and well-known tourist area, they come up Highway 35 and, on the outskirts of Lindsay, they see a sign. They are looking for a sign leading them to Bobcaygeon, but I think there is a little sign that says, "To Highway 36." Many people in traffic are not aware of that bit of a sign being there. If you turn right at the southern outskirts of Lindsay, the only sign says "Peterborough". A mile down the road—or a couple of kilometres, you might say—you come across a sign saying, "Bobcaygeon, Highway 36."

I see no reason why MTC cannot erect a sign indicating the road to Bobcaygeon, which is one of the great tourism areas in Ontario. Surely, in traffic, it would be very helpful for people who do not know the highway system to see a sign to Bobcaygeon. MTC tells us that if you erect one for Bobcaygeon, they will want one for Fenelon Falls. Why not Fenelon Falls? What is wrong with indicating the major tourism areas in the province?

That is only an example. I think we should be taking a look at updating and jazzing up, if you will, signs indicating attractive tourism areas.

Another example of this, one which I know the deputy is aware of, is on Highway 48 in the village of Kirkfield. One of the province's outstanding tourist attractions is the hydraulic lift lock at Kirkfield. Unfortunately, all the play is given to the Peterborough lift lock as though it were the only one in Ontario. The locks at Kirkfield and Peterborough are two of, I believe, only four hydraulic locks in the world.

Naturally, the people in the Kirkfield and Victoria county area would like to see a sign indicating this as a tourist attraction. MTC, however, will allow only one of those little arms that indicates it is a lock. They have those all along the Trent-Severn waterway, and there are many locks, but here you have a hydraulic lift lock.

The signing policy of the MTC is asinine. It is absolutely stupid that they will not play up the

tourism potential of some of our major attractions. This is one area where you might convince the minister that it is time to review and, with leadership from your ministry, to develop a better signing policy for our tourism attractions. Those are two examples, and I am sure other members could talk about this.

MTC has said, "In co-operation with the federal Trent-Severn waterway people, we have agreed on a policy." That may be so, but it is not very appropriate. I will mention that the Trent-Severn waterway people have a very appropriate, attractive sign to indicate the hydraulic lift lock.

You cannot do it on Highway 48, for some silly reason. Think of Highway 401, where you see a great big billboard that says, "Here are the attractions of the province of Ontario in Metropolitan Toronto." I pass it two or three times a week on Highway 401. If we can put a huge billboard on 401 telling people great things about Metro Toronto, surely we can cut the red tape and have a little sign up on Highway 48 telling people how to get to one of the four hydraulic lift locks in the world.

After all, it is for all the people of Ontario. Let us not give preference to the big city area. If we can put a big billboard on 401, surely we can put a little two-by-four sign, or whatever is necessary, on Highway 48 to take you into the Kirkfield lift lock.

10:40 a.m.

Another area that I think is very important and I would like to see the minister follow up on—it is one of my annual complaints, I suppose—is the lack of a "We treat you royally" program. If there was ever a program that is lacking in this province, it is the one that deals with the needs of "We treat you royally." It is one of the areas I notice all the time in which there is a great need.

I am surprised at the many times we compare it with other jurisdictions, especially Florida and the southern states, and the hospitality that is extended to you in those areas. I think this is greatly lacking here, not only in the hotels and motels but also with other people who deal with the public.

I often wonder what they think, for instance, about getting into a taxicab in Ontario when the drivers do not even speak to you. They do not even say, "Good morning," "Good afternoon," "Good evening," or "Have a nice day." Many times I have watched to see what the reaction is. It is nothing, until they see if they are going to be compensated with a little tip for the service.

There is a tremendous job to be done here by reinstating the "We treat you royally" program. I

realize it was started, and it has been turned back, I guess, to the people in the industry. It is an area that deserves a lot of prodding from your ministry, because in many ways there is a lot of hospitality that is just not extended. I could give you many examples of that, but I will not go into them all today.

Talking about "We treat you royally," I believe I raised the question in the last estimates about the fair dollar exchange that was being given in various areas. While you mention that it is impossible for you to police it, I did bring to your attention the ripoff on the Toronto subway system. I am not sure what the rate is at present, but I do know they were being ripped off very badly on this at least a year ago. I just hope you can report to us that they are going to get a fair exchange rate there.

We talked about the gasoline tax, and I hope you will report to us on that. We also talked about the food tax—we are one of the two provinces of Canada with no base exemption—and I hope you will talk about that.

You made reference to the Wintario funding. Perhaps you might enlarge on what is happening to the capital grants and what new programs you have in this area as well as what plans you have for noncapital grants.

I note that in your opening statement you made reference to some of the problems of maintaining some of the structures that have already been erected. I know that in some areas this is a problem and in others it is not.

I want to commend you and the ministry on what you have been able to do for the smaller communities of this province through Wintario capital funding. I know there are those, perhaps even in our own party, who might speak otherwise, but from my own experience, it is the one program that has helped many of the smaller communities of this province which, were it not for the Wintario matching grants, would not otherwise have that assistance. I am not too concerned with the large metropolitan areas; they can take care of themselves.

It does provide a focal point in many of the smaller communities of the province, and it is a program that I hope you will not eliminate. I know there are many areas of the province where they have been able to build a focal point or a little community centre or a place to meet. If the program changes, I hope that in some way you will not forget the more rural parts of the province.

It has been a good program. Any time you would like to come out and do a little tour through

my area, I am sure I can point with pride to a number of the smaller places. Whether it is an old church building that has been taken over and made a focal point, or the local Orange Lodge where they have installed a new roof, a new chimney or a new foundation, it means a little meeting place for the people of that area, which is very important. In that sense, it has been an excellent program and I urge you to carry on with it.

Later, I would like to discuss the plans of the Ontario Lottery Corp. I have heard some complaints that the commissions have been reduced or that with the high cost of operating, they have not kept pace with the various programs which you have initiated. In some cases, commissions have actually been reduced. I was just wondering if you might bring us up to date on that.

You might also want to comment on your federal counterpart, who does not seem to be very supportive of the Wintario programs. The federal minister has called it a tax on the poor and he has even gone so far as to call the program immoral. I am wondering, since you are of the same faith, just how this is going to affect Ontario's participation.

We have talked about Minaki Lodge. In your reply perhaps you might tell us the number of young people who are employed there. Were you able to fill all the positions with young people from Ontario? How many were from out of province and why were they from out of province? You mentioned last year that there were many positions which you could not fill because you could not get young people to go up there and work. I wondered if in your reply you might bring us up to date on the employment situation at Minaki.

There is another lodge which perhaps does not come under your jurisdiction but it has a tourism effect. It was discussed quite some time ago. It is Ogoki Lodge, which is north of Thunder Bay. That is the lodge which was training our native people in management skills. I am just wondering from the tourism point of view if you could bring us up to date on the success of Ogoki Lodge.

I would also like to have you elaborate on the problems associated with the proposed introduction by the Minister of Municipal Affairs and Housing (Mr. Bennett) of an amendment to the Municipal Act dealing with the lot licensing of the private campgrounds of Ontario.

There is a great deal of concern being expressed by the private campground people

about the assessment that is going to be placed on their lots. It is difficult to comment fully because the minister has not brought in that proposal and it is hard to comment on something you have not seen. By the way, I understand the minister has indicated he is bringing it in at the request of the municipal associations. They feel they should have greater access to funding for services provided. I can understand that.

There are a number of municipalities where campgrounds are concentrated that are not very happy with the proposal as they know it to date. The operators fear that the fee as outlined could very well create a lot of feelings among the various municipalities, especially among those that do not want the campgrounds, and they could charge the maximum fee. There is a lot of restlessness in this particular field. It is very important to the tourism industry of the province and I feel your ministry should be actively involved in stating where you stand with regard to the promotion of tourism. In many areas, if the maximum were to be implemented, many of our private campgrounds would just go out of existence.

10:50 a.m.

In that particular area, too, you might want to comment on the plan by the ministry to move to privatization of our provincial parks. I want to ask you if there has been consultation with your ministry in this regard. What effect will it have on our provincial parks? What effect will it have on tourism? How is this related to the private campground people?

I wonder if you might give us the final breakdown of the cost of the Toronto convention centre. I knew the original figures. I heard the final ones at the opening of the convention centre but, for the record, you might give us the federal, municipal and provincial contributions.

I had the pleasure of attending when Her Majesty officially declared the convention centre open and I was very impressed with what I saw there. It is something that I as a critic have been pushing to get on with for a long time. I was fully aware for years of the number of conventions that had to be turned down because there just was not space to accommodate large ones.

I remember the psychiatric convention which was held here some years ago. They said they would not be back because they had to hold it in several locations because of the sheer numbers. I am very impressed with what I see out there and I think it is going to be a great addition, not only to Metropolitan Toronto, but since there is public

funding in this, I also hope all of Ontario will benefit.

I would like to ask you to report during these estimates what plans you have to make sure the rest of the province can enjoy the spinoff. It is my feeling that somewhere within the convention centre, there should be something set up to promote the benefits of the rest of this province. I would like to know just how you plan to do this, and to hear some innovative ideas of how you are going to deal with it.

You have announced a new attraction at Ontario Place because, as I believe I read in the paper, attendance was falling. During the estimates you were always very optimistic about how well Ontario Place was doing. I did not realize attendance was falling. I wonder if you would bring us up to date as to the attendance record; how it stands with what was projected. You may have mentioned that in your earlier statement.

Also, you might express your thoughts on how Ontario Place should be competing. Should we be updating to keep attendance up? We are competing with private enterprise. The more you spend on trying to upgrade and create new things there, the more you are also having to increase the price.

I notice it is now \$4.25, an increase of 25 cents. What is the point at which the price might discourage families from attending? The important and good thing about Ontario Place is that it has been a facility that is open to the public, to which you feel you can take your family and enjoy a day. I am just wondering how you see the admission price. Should it pay its way, or what do you see for the future of this? These are just a few of the areas I would like to have further comments on.

Another area, too, that affects tourism generally—and we have discussed this in a personal discussion—is what is happening across the province with abandoned railway lines. This is looking to the future, but many are being closed down. An example of this is the Canadian National Railway line from Lindsay to Haliburton. Your ministry has spent a bit of money on a feasibility study to see if a steam train might be feasible. In the meantime, that has gone by the boards because the railway lines have now been lifted. However, there is the railway right of way and your government has asked the Ministry of Natural Resources to study the feasibility of using these lines for recreation.

It is an excellent opportunity to look at cross-country skiing, snowmobiling, hiking,

bicycle paths, and this type of thing. Bicycling is one area that will come into its own; it is very popular in other countries. Once these rail lines are turned over to individual municipalities or abutting owners, the opportunity to do something on a much larger scale will be lost forever. I think the tourism use of these rail lines is one area your people might take a look at in a broad sense.

This is one example, but there must be other rail lines across the province that have been closed and never reopened. The right of way is there and I think we should look at how to promote a broad tourism opportunity in Ontario. I would like to hear your thoughts on that.

There has been some mention of the domed stadium. Perhaps you might bring us up to date on it. I think you suggested it be used not only by professionals but also that there be amateur participation. I would like to have your thoughts on financing and any other information you can give us.

You mentioned low-interest loans to help those in the industry meet the fire code. I wonder if you could tell us when this came into effect. There is quite an impact on some of the small operators who have served people over the years; they find they are operating at a loss because they have to spend many thousands of dollars to upgrade their premises.

I wonder if this extends to those involved in the farm vacation program. This is an important part of Ontario tourism. Are people who use their farm homes to promote tourism, especially in the bed-and-breakfast field, required to meet the stringent fire codes that hotels and motels are? You might want to enlarge on that area. The Ministry of Agriculture and Food is perhaps more involved in this than you are, but it is an area of tourism I think should be reported on.

I am pleased to note what is happening at Bark Lake leadership camp in Haliburton county. It is a camp which, to my knowledge, is well run. It has made a great contribution. You were fortunate to have a gentleman by the name of Del Pickens who started the camp and is still very important there for moral support and in other ways. We pay tribute to the contribution he has made. This has been recognized by your ministry and we are fortunate to have good people still associated with Bark Lake. You might want to bring us up to date on any new format you have for Bark Lake leadership camp and its promotion for the future.

11 a.m.

These are just a few of the areas we have talked about. There are a number of other areas we will

want to discuss when we get into sports and fitness.

I want to say again what I mentioned last night about the bicentennial year and about recognizing those who have made a great contribution to amateur sport in this province over the years. I want to say I am very honoured to have sitting at this table one of our colleagues in the Legislature, in the person of the member for Windsor-Walkerville (Mr. Newman) who, during his time as a teacher in Windsor, made a great contribution to amateur sport in this province.

One of his achievements is that he was Canada's first Olympic gymnastics coach. Not only that, but he coached during the world games and for other areas of which I am not completely familiar. In our bicentennial year, I think we are honoured to have in the Legislature, and sitting right at the table with us this morning, someone of the calibre of the member for Windsor-Walkerville who has made a great contribution to amateur sport in this province.

Those are my opening remarks, and I look forward to going a little deeper into a number of the areas.

Mr. Chairman: Thank you, Mr. Eakins, for those remarks. Perhaps we should hear from Mr. Stokes, and then the minister can reply to both critics at the same time. Some of the answers might be duplications. Mr. Stokes, we will swing over to you.

Mr. Stokes: Mr. Chairman, first of all, I would like to echo the sentiments expressed by the member for Victoria-Haliburton (Mr. Eakins) on the way in which this ministry and this minister have been open, forthright and willing to share with us, as critics, whatever information or insights they had in this exercise in parliamentary democracy.

Would that we had in many other ministries the same kind of openness that exists in this ministry, where there is an opportunity to discuss in an informal way where the ministry is going, how it defines its mandate and how it fits into the social, economic and cultural fabric of this province. Many other ministries seem to be operating for the most part in a vacuum, without regard to the effect of their policies on what other ministries are attempting to do.

I guess it is inevitable that we have a sense of déjà vu each time we enter into an exercise like this. While ferreting out some information this morning, I ran across the notes I used for my opening comments last year; I think I could mention every one of them again, and you would inevitably say you have heard it all before.

If you were looking at the parliamentary system—more specifically, if you were looking at the committee system—you would say, “How can we best spend the time allocated for a review of this ministry and the funds they are asking to carry out what they see as their mandate?”

One would ask whether we are making the best use of our time or whatever talents we may possess to make the system work more smoothly and more properly and, I guess, more adequately reflect what we see as our collective responsibility around here for the expenditure of something in the order of \$130 million, dealing with tourism, sports, fitness and recreation.

I do not know whether it is the best use of our time when we have agreed, the three of us collectively, to spend nine hours on this exercise, but the minister used two and a half hours of it last night for his opening comments contained on 104 pages. Much of the information contained therein was in the working papers that were provided to us by way of this estimates briefing book.

I think I have heard it all before in some other form, whether by way of ministerial statement or press release or just by just keeping my eyes and ears open. Is it the best way for us to be spending this nine hours? Do we get some kind of feeling we are a part of something useful, constructive and worth while or should we spend a certain amount of the time allocated to us to find a better way? I listened for two and a half hours last night to the minister. I have just listened to Mr. Eakins for about an hour. It was all very interesting, but is it making the best use of our time?

I see three members of the government party over there. I sometimes get the feeling they are here because they have to be, not necessarily because they want to be. Somebody said about two or three minutes after 10, “I think I will go out and see if I can find some warm bodies to come in here and fill some seats.” When you get that kind of comment, it is time to look at the whole process to see how we can better serve our respective constituencies. I am not talking in any geographic sense. I am talking about a socio-economic sense, which I think is our collective responsibility as elected members of this assembly. I think at some point we should do that.

I had the privilege of speaking earlier in the evening to that group that was sitting here last night listening to the minister from about about page 40 to page 60. They are a political science group from York University. They were all given copies of the opening statement. Once it was explained to them what it was all about, they

said, “Is that what you were talking about when you addressed us on the relevance of the parliamentary process and the relevance of the committee system?”

They did not think it was a good use of our time and I am sure a good many of us feel our time here can be much better spent. At some point, as the resources development committee, in spite of the preconceived notions and positions of the assembly itself, we should spend a few minutes quietly, dispassionately deciding whether or not there is a better way of doing things.

Having said all that and got my Wednesday morning ideological and philosophical bent out of the way, I will do what I have to do in any event.

Mr. Chairman: That is what you are here for.

11:10 a.m.

Mr. Stokes: I would like to start out by saying, notwithstanding the fact that you are asking for \$123 million, which is down from \$139 million, it is business as usual. You people never cease to amaze me at the way you can jot down these figures and explain or rationalize the fact that there is an overall decrease in the amount you want allocated for what you see as your responsibility, in this case \$16.2 million.

You have a reduction in tourism development of \$1.8 million, a reduction of \$7.3 million in parks and attractions and a reduction of \$7.6 million in field operations. Then the explanatory notes say: “To facilitate comparison, 1983-84 estimates and actuals have been adjusted to reflect: one, ministry reorganization of field operations—previously included in tourism development in recreation, sports and fitness divisions; and, two, transfer of the Ottawa and Toronto convention centres to the ministry.”

The net effect, however, is that you want to cut it, that what you are asking this year is down about \$9 million from last year, at a time when you say your mandate is “to develop, market, maintain, assist and strengthen Ontario’s tourism and recreation industries and services by producing relevant policies and managing effective programs appropriate to the needs of our industry, community and citizens in order to contribute to the economic and social wellbeing of the province,” and so it goes on.

I have marked down about five paragraphs on page 3 in the briefing book, but I am not going to go over them because the minister has gone over them twice already. However, the minister has stated on many occasions here and elsewhere, he sees the mandate of his ministry as picking up the slack or filling the void in areas of the province

where industrial activity is declining for a variety of reasons and wherever there is a possibility or opportunity to pick up the slack. You see that as your responsibility, mandate and aim, and I agree totally with that.

It seems to me that you have some involvement in the Northern Ontario rural development agreement program and you now have some involvement in the Northern Ontario regional economic development program, but you are asking for less funds to do something that has more relevance, more importance, and more significance than it ever has had in the 17 years I have been down here.

When we hear about technological change, the best use of leisure time and the importance on fitness, it seems to me that this is one ministry and one activity of government where, if you are going to provide for the demographic changes to which you alluded in your opening remarks, then government generally and the Legislature has to take the time to reflect upon where we are going as a society and as a provincial economy.

There has to be more co-ordination on the social and economic aims as defined very vaguely in the throne speech, a little more precisely in the budget speech, but never with any overall plan or design to see where each ministry in its activities and mandate fulfils the overall social and economic goals of the province.

Two weeks ago we had the estimates of the Provincial Secretary for Resources Development (Mr. Sterling). We have a bright, anxious, new provincial secretary who, I think for the first time since that secretariat has been in existence, is making a genuine effort to carry out what he sees as his mandate as a co-ordinator of government policies and initiatives in the resources policy field. The only thing he gets to handle is something too hot for the line ministries, something very controversial, something government generally wants to ship out to study. In effect, the only thing he gets to handle is what falls between two stools. Then they say, "Let us dump it on him."

He does not have any financial and very few human resources to carry out what the government has defined as his mandate. If you read the newspapers of late, you will see a battle has been shaping up for a good number of years between people who share the land base in Ontario for a variety of worthwhile and legitimate uses. However, if you talk to people in the tourism industry and find out what they think your ministry's mandate is and then hear them talk to

the Minister of Natural Resources (Mr. Pope), you find that the battle is going to be more fierce and partisan than it ever was.

11:20 a.m.

When you hear comments such as those I am going to quote to you now, it illustrates precisely what I am trying to say:

"It seldom makes the front pages or nightly newscasts, but the dilemma of how to protect the environment during forestry operations is one of the most intensely, if quietly, debated issues at the Ontario Legislature. Environmentalists and tourist operators are watching closely to see what course the government will take. As one tourist official puts it, 'The outcome is going to either make or break us.' They argue that the current forest management practice could lead to social, ecological and economic bankruptcy.

"After receiving public comments, the government is working on something no other province has done—a plan to make forest products companies legally responsible for engaging in reducing the environmental impact of their operations."

Darrell Rogerson, who represents 900 northern Ontario tourist operators, says: "It has tremendous potential benefit to our industry if we can review the environmental situation the forest products industry is forcing upon us. Without it, we have virtually no recourse."

Rogerson says: "Many fly-in tourist operators are living under the cloud of potential bankruptcy because logging roads are being pushed unnecessarily close to their wilderness operations. Despite government guidelines that encourage forest companies not to clear-cut to the edge of lakes and streams, some still do," he said.

"There are areas of northern Ontario you can fly over and you may not see, with a few exceptions, a standing tree for 20 or 30 square miles. It is just like a desert."

That is one side of the argument, the dichotomy there is. Let me make two brief quotes from people on the other side of the equation, those that represent the forest industry. Maurie Atkinson, president of the Ontario Lumber Manufacturers' Association complains, "When you cannot build a bridge somewhere because somebody might paddle a canoe under it in the next 50 years, it does not make sense."

Kenneth D. Greaves, president of the Ontario Forest Industries Association, put it even more succinctly, "I am just saying we simply cannot afford this bureaucratic hogwash."

I think that explains better than I can, the need for people like the Minister of Tourism and

Recreation and the Minister of Natural Resources to be sitting down and saying how we can bring these diverging views together. The day has long since gone when we can set aside large areas of the province for a single use.

In Algonquin Park we have the multiple-use concept working well. I had the opportunity to travel through the park last fall and I was impressed with what they are doing. Yet wherever we have a conflict like that, we do not seem to be able to transfer that concept to other similar situations.

There is quite a dichotomy going around about a park just north and west of Armstrong. The tourist operators and environmentalists said, "Keep out, no resource extraction." That is not going to happen. We have another one on our hands right now, Caribou Park that stretches all the way from Red Lake to the Manitoba border.

To get around that, they had to redefine the provincial parks classification system. There is still a debate raging about what the proper use of that land should be to satisfy, as closely as possible, the legitimate aspirations of the maximum number of people living in those areas. I do not hear anybody in this ministry getting involved in that dichotomy.

There is a lot of work to do when on the one hand people are saying, "We are heading for disaster because of the present practices in the forest industry," and on the other hand, the forest industry is saying, "There is no room for this bureaucratic hogwash." We have a lot of work to do, but I do not see that kind of co-operation.

I could say the same thing about the management of our fish and wildlife resources. We know people are very concerned about our continuing ability to attract enough tourists to northern Ontario to sustain existing tourist operations. Most tourists visit northern Ontario for fishing and hunting. I do not see too many people up there with binoculars going birdwatching or with cameras trying to capture a beautiful sunset.

There are many lakes within 400 or 500 miles of Metropolitan Toronto where, not too many years ago, people could have a good outdoor wilderness experience and catch their limit of fish, whatever the species might be in a given area. Now you must go farther afield. If you want to be assured, one has to fly up to the Albany River as the minister does. Unless you can come up with \$150 to \$200 a day, you cannot be assured of catching your limit every day.

11:30 a.m.

What kind of dialogue goes on within the ministries when you sit in the various policy

fields or when you sit around the cabinet table on Wednesday morning and afternoon? What do your deputy ministers have to say to one another? Mr. Sloan, who left this ministry and went to the Ministry of Natural Resources, was very critical, and rightly so, of some policies they had put in place; the policies were in conflict with others, particularly those of this ministry. He has gone to that ministry and never gets a chance to say anything. As Mr. Eakins has said, the Minister of Natural Resources sits at the estimates table and nobody says anything but him.

I am one who happens to think civil servants in this province are bright, well-meaning people who want to make a contribution and would like to speak their mind. We have a responsibility to ensure that they have an opportunity to do so. We have had a couple of sad experiences in the not too distant past where people have been fired or severely reprimanded for doing nothing but what I see as their job.

We do not hear any more from Mr. Sloan. He is a personal friend of mine. He is an excellent person and a good civil servant, but he will not be heard from again in the concerns that were his when he was sitting where Tom Gibson is now.

I hope Mr. Gibson will be given an opportunity to speak his mind. I think he has a contribution to make. I, for one, would be happy to hear from him. I hope you will give the same opportunity to Mr. Baker and Mr. Secord. They have been around a long while. It is people like them who have made this ministry what it is today.

I guess it gets me right back to where I started: Can we make the best use of our time, the human and financial resources that have been made available to us, to carry out the mandate that is ours individually and collectively?

I want to pay tribute to the people in the sports, fitness and recreation branch of this ministry. Secord, Halstead, Wittenberg and company have done us proud. When I see the information that was provided to you, Minister—and it did not start this year; it started last year—in which for the first time you started to place a degree of importance and relevance on sports, fitness and recreation, I note that it was not only because it might represent gold, silver or bronze medals.

We did very well both at the winter Olympics in Sarajevo and at the summer games in Los Angeles. I have two sons who spent two weeks in Los Angeles. They were very impressed and proud to be Canadians and to have been born in Ontario, although neither one of them lives here now; they have had to go elsewhere to make a

living. It was a well worthwhile exercise. While I could not be there, I know they were happy to be a part of what Ontario was doing. While winning is not the only thing, it is nice to be able to point to a double gold winner or a single gold winner; even to place in the medals makes me believe we are on the right track.

Even more important is the significance that your ministry is placing on leisure time, whether one is three or 63. I see opportunities for a wide range of people to spend their leisure time much more enjoyably and in many cases much more productively. Even more important than that—you mentioned something about volunteerism declining—because of the change in the demography of our province, a good many people have to have two breadwinners in the family to make ends meet.

When I look over what you are doing in the Trillium Foundation, where you are spending \$15 million to help volunteer organizations—I do not know who thought of that, and I do not know an awful lot about it—I think it is well worth while. It is something that hit me while I was listening to Mr. Eakins making his presentation and found out what Trillium Foundation does.

As soon as I get out of this room, I am going to write a letter to the Windego, the Kayahna and the Pehtabun tribal councils in northern Ontario. They have been trying to access funds to assist them in rehabilitating young offenders and in treating young native people who are engaging in mind-bending activities—too much booze, too much gasoline sniffing—and are ruining themselves. The chiefs and councils are having one devil of a time trying to cope.

I see this vehicle as assisting them if they can get their act together and explain, as I think they can, the nature of their problem. If we can bring those two together, it will illustrate what I mean by way of the kind of thing your ministry is doing that is worthy of support and is something we should all extol the virtues of.

11:40 a.m.

I went through these 104 pages and marked off every time something piqued my interest. I have about 20 page references here saying, "I must ask him to explain what he really means in this 104 pages." I am not going to do that, unless somebody provokes me.

I want to get into some specifics, but I have a time problem. Her Excellency the Honourable Jeanne Sauvé is going to be out in the lobby at 12:20, and I have been ordered to be there. Perhaps we could agree to stop this exercise about 12:15 and we could all be there.

I want to reinforce something Mr. Eakins said about having to take a look at the reasons why people are not coming to our jurisdiction in the numbers we would like. Mr. Eakins gave you a broad overview, but I would like to read an article that appeared in the *Tourist Outfitter* in April 1984. Let me quote:

"Perhaps the federal and Ontario ministers of tourism may also read this letter. My wife and I are now in Florida. Just before leaving Canada, we learned through your newspaper that two tourism ministries were very concerned about the decline in the number of American tourists coming to Canada and were about to embark on an advertising scheme costing millions of dollars in an effort to recapture this market.

"It requires no genius to realize that if a premium of 22 cents on the dollar won't lure tourists into a country, then the tourist industry is in deep trouble which no amount of advertising will remedy. Just outside of Toronto we passed a new motor inn, advertising accommodation at \$36.95 single. Similar accommodation can be obtained anywhere along Route 175 for \$15 and up.

"Leaving the 401 at Windsor, we gassed up at a Shell station, paying 51 cents a litre, or \$2.30 a gallon. For our first fill-up in the US we paid \$1.18 a gallon, which converts to about \$1.40 Canadian. The Canadian gallon is taxed at 75 per cent, while the American tax is 32 to 35 per cent, depending on the state.

"Americans possess the same vices as Canadians. Their cigarettes cost anywhere from \$5 a carton in Kentucky to \$9 in Florida. Again the tax in Canada is 75 per cent. A case of beer is advertised down here at prices ranging from \$4.99 to \$10.99 for 24, and a litre of Canadian rye whisky can be purchased for under \$7. The tax on such products in Canada is upward of 80 per cent.

"Restaurant meals are more reasonable in price, as are the prices for such staples as milk, at \$2.19 a gallon, instant coffee, \$3.99, apple juice, 99 cents for 64 ounces, white bread at three loaves for 99 cents, bacon at \$1.99 a pound. Of course, fresh vegetables are in plentiful supply and postage in the US is 18 cents for postcards and 20 cents for letters.

"We see a lot of Canadians down here. Apparently, if the price is right, even a discount of 25 cents on the dollar won't keep them away. Might I suggest that our ministers of tourism would use their talents more effectively if they directed them to a reduction of the exorbitant taxes on those products that are so widely used by

tourists in general. Canada is becoming a very expensive country to tour."

That was written by an A. D. Wall of Largo, Florida.

Let me talk about my favourite subject; that is, the opportunities for you to fulfil your mandate, as described comprehensively on page 3, as reinforced in your opening statement last night and as further reinforced by this northern Ontario regional economic development assistance program for Ontario tourist operators.

I have a map here that shows Lake Nipigon, which is a very small geographic entity in northern Ontario in the riding of Lake Nipigon. It has 580 miles of shoreline. It has 4,480 square kilometres of water. It has 1,500 rivers and streams flowing into and out of it. It has 1,000 islands.

We have one provincial park, on the east side of Highway 11, that is in the process of being privatized, as was mentioned by my colleague; that is either number 13 or 14. They were able to attract only 6,000 visitors to that park last year, and let me tell you why. You can drive on Highway 11 and you will not find a single, solitary sign indicating that Lake Nipigon, which is four times the size of Lake Simcoe, even exists.

On November 2, I wrote a letter to our colleague the Minister of Transportation and Communications about three signing problems in my riding. I am going to mention only one of them, and I quote in part from my letter:

"Lake Nipigon is one of the most valuable resources in northern Ontario, as a tourist attraction for fishing, boating, camping and hunting. Many tourist establishments and local residents depend upon Lake Nipigon for a livelihood.

"There is not a single sign along the Highway 11 corridor which indicates access to this valuable resource. Beardmore depends upon this resource, and the most direct access to Lake Nipigon is by way of Highway 580, just east of that community, on Highway 11, and the other one is through the fishing community of Macdiarmid.

"I am sure we should have a large sign to alert tourists that it is a good place to stop and enjoy the attributes of this beautiful lake."

11:50 a.m.

Let me quote from another letter I got from a tourist operator at Jellicoe, which is on Highway 11:

"Our system up north here lets Americans bring in their own motor homes, fully equipped

with barrels of gas, food, their own boat and motors; even live bait, night crawlers. All we get left with is, they open their valves in the bush, and we get left with their crap and garbage.

"Also, our provincial government advertising is all for Highway 17 or the Trans-Canada. I have spoken with many people between Nipigon and North Bay on Highway 11, and all the response is the same: Not enough traffic on Highway 11. Provincial signs advertising the north route should be at the junction of 11 and 17 at North Bay and Nipigon. We have enough to offer on this route to be of interest to the travelling public."

I have written to the Minister of Natural Resources about this—I believe you have a copy—because he has some responsibility. I have also written to the Minister of Transportation and Communications about this. I have raised it many times in the past. What is it with the bureaucracy these people talk about that makes it impossible to put up one or two signs, readable by the travelling public, to publicize something as significant as Lake Nipigon?

We have 580 miles of shoreline. Do you know how many tourist operators we have on that 580 miles of shoreline? Take a guess.

Hon. Mr. Baetz: I would say one or two.

Mr. Stokes: We have 10 in total. We have what ranks as the most beautiful asset, we have the best fishing, and yet we do not even rate a sign on the Trans-Canada Highway that indicates there is a resource such as Lake Nipigon out there.

I have a plan; I already have the support of one of your cabinet colleagues for it and I want your support. I want your support too, Mr. Eakins.

There are things called water rentals that accrue to Ontario by way of water rental payments on a horsepower basis from Ontario Hydro. They are delivered to the consolidated revenue fund. In the budget last spring, those payments were increased by more than 70 per cent, which is going to net the provincial Treasury in the order of \$100 million a year—that is \$1 billion over the next 10 years—which Ontario Hydro pays for the privilege of generating about 30 per cent of the power requirements of this province by hydraulic means.

There is one exception to those revenues going directly into the consolidated revenue fund, and that is the Niagara Parks Commission. Between \$2.5 million and \$3 million is paid by Ontario Hydro for the right to generate power on the Niagara River. About \$2.7 million, I believe, goes directly to the Niagara Parks Commission to

allow them to do what it does as a commission: to beautify the Niagara Falls area and attract tourists in the numbers you indicated in your opening statement, something like 2.9 million people. The only reason we are not getting more is that we do not have the wherewithal for parking and the facilities to handle them.

Niagara Falls is a nice place but, once you have seen the falls, it is just like any other to which a lot of attention has been paid; so it is attractive to visit. If you look at the resource I am talking about, Lake Nipigon, which has something for everybody, it seems to me you are missing the boat.

The community of Nipigon at the junction of Highways 11 and 17 does not even have a tourist booth. I am not quite fair: there is one. However, it is on Highway 17, east of the junction, and anybody coming along Highway 11 never sees it; they do not even know it exists. Anybody coming east out of Thunder Bay on Highway 17 and going along Highway 11 never sees this piddly little booth. Even if they are travelling directly along Highway 17, they are close to Nipigon before they can see it. They say, "Well, had I known that was there, I might have stopped."

The township of Nipigon and the chamber of commerce have been arguing with and cajoling the Ministry of Transportation and Communications for it to approve a site that would not unduly impede the flow of traffic if people stopped and asked for some tourist information. We still do not have an acceptable site, notwithstanding my best efforts, those of the council of Nipigon and its fairly active chamber of commerce. For some strange reason, we just cannot make it happen.

Around Nipigon, which is on Nipigon Bay, a part of Lake Superior, we have one of the biggest potentials for boating and cruising and for people to come and see what the north is all about; but none of it ever happens. It is not because we do not have something to sell, and it is not because people would not travel there if they knew what we had.

I accompanied the Lieutenant Governor along Highway 11 in June 1983. I wish I had had a tape recorder to record his comments on the beauty along that route. I had my leader up there last fall, with two of my other caucus colleagues; they could not believe we were in Ontario. They said: "Why have we not heard of this? Why have we not seen it? Why has something not happened to get us up here to see this before now?"

12 noon

The member for Halton-Burlington (Mr. Reed) came to me in the lobby here just a little

over a week ago. He was up there scurrying around the bush, trying to find out about forestry. To do that, he travelled from Nipigon along Highway 11 up to Beardmore. He could not believe there was a place as beautiful as that. He did not even get to see Lake Nipigon; he just travelled on Highway 11 to the east of it.

I believe you are sincere, Minister, but if you are looking for something to enhance the tourism potential in Ontario, there is where you should be looking.

I hear you talking about Minaki Lodge. It is a beautiful place. I hear your colleague the Minister of Northern Affairs (Mr. Bernier) talking about it. Do you know what Minaki Lodge is? It is something located in a little bulge on a river. It does not have more than 3,000 square miles of water. It does not have 580 miles of shoreline. It is not an area where there are only 10 tourist operators. It is not an area where you have the best fishing and the best cruising in Ontario. It is not an area where you have an opportunity to set up a bird sanctuary or a game farm. It is not an area where you could set up trails that are unbelievably beautiful. It is not an area where you could engage in photography.

The potential is unlimited. The only impetus we need to get that whole process started is for you to say, "Yes, I support the concept of a Nipigon parkway commission or authority." Let us allocate the funds generated by the use of water rentals on the Nipigon waterway directly to that commission in the same way we do for the Niagara Parks Commission. It would help communities such as Nipigon, Red Rock, Beardmore, Jellicoe and Orient Bay. It would have a spinoff effect on communities such as Geraldton. It would even have a spinoff effect on Indian bands such as the Rocky Bay band, the Red Rock band and the Gull Bay band.

I am sorry I do not have a bigger map so I could explain more fully the geographic entity called Lake Nipigon, which I think is the single most important and the most untapped natural resource for tourism we have in Ontario.

You can talk about what they have at Niagara. You can talk about the St. Clair Parkway Commission, the St. Lawrence Parks Commission and Sainte-Marie among the Hurons. I can take you back and tell you the history of the Lake Nipigon area; it is just as important as anything that happened at Sainte-Marie among the Hurons, without any killings. There are developing sites, such as the old Hudson's Bay Company posts; I think there were even some posts there from the North West Company, predating those.

They have had archaeological digs of major significance, not only on Nipigon Bay but also right around the perimeter of that lake, where the steamboats went from Lake Superior right up to the north end to build the Grand Trunk Pacific Railway, long before there were any highways in the area.

I would like some assurance from you that you will join forces with the Minister of Northern Affairs and myself to make that happen. I have a lot of things I want to talk about during the actual votes, but lest I take away from the importance of what I said concerning Lake Nipigon, I am going to stop here.

I do not know whether the minister wants to take advantage of these few minutes to start responding to my colleague Mr. Eakins and me. I would like a definite commitment from him that he would be a part of the most significant and most worthwhile undertaking that will ever happen in northern Ontario with the support, not of too much money but of the expertise of people within his ministry. Thank you for hearing me out.

Hon. Mr. Baetz: Mr. Chairman, I am in your hands. I think I heard Mr. Stokes say earlier that he was anxious to get out into the corridor by about 12:15. Obviously it will take me a little longer than five minutes, although there will be no repeat of last night's length, to reply to many

of the very relevant comments made by both critics.

Mr. Chairman: We will be carrying over into Tuesday evening, and we would have a full evening taken up if we were to run our two and a half hours today and two and a half hours tomorrow. I think it would be appropriate to break off now because we are coming back Tuesday evening.

Mr. Eakins: Mr. Chairman, I would agree to that. Madame Sauvé is going to be here; it would be nice to get to see her. Also, Mr. Stokes has to be there. I would be quite agreeable to having the minister reply to the opening statements at the next sitting.

Mr. Chairman: That will be tomorrow at 8 p.m. There will be tomorrow evening and Tuesday evening. As far as timing is concerned, I understand we want to discuss the parks and attractions program on Tuesday evening. You will have the appropriate people here at that time, Minister?

Hon. Mr. Baetz: Yes.

Mr. Chairman: That means we will have to go through your response tomorrow, along with whatever questions there are tomorrow on all the votes, I guess; then we will get into the parks and attractions program and have our final wrapup and voting on Tuesday evening.

The committee adjourned at 12:10 p.m.

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Hansard

Official Report of Debates

Legislative Assembly of Ontario



Standing Committee on Resources Development

Estimates, Ministry of Tourism and Recreation

Fourth Session, 32nd Parliament

Thursday, November 15, 1984

Speaker: Honourable John M. Turner

Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, November 15, 1984

The committee met at 8:09 p.m. in room 151.

ESTIMATES, MINISTRY OF TOURISM AND RECREATION (continued)

Mr. Chairman: Committee members, ladies and gentlemen, when we adjourned yesterday at noon, the minister was set to respond to some of the concerns that were raised by the two critics. We should proceed from that point.

Hon. Mr. Baetz: Thank you, Mr. Chairman. Before I do comment, and I will be reasonably brief, I would like to reply to the comments about the estimates committee process made by the member for Lake Nipigon (Mr. Stokes), my critic from the New Democratic Party. I could not share his view more, that some way or other has to be devised whereby we would not have these long, drawn-out statements. This will be up to you, Mr. Chairman, and members of the committee.

As far as my ministry is concerned, I have operated on the basis of full disclosure. I felt for your convenience we would put everything between two covers and, at that point, I wanted to cover the waterfront for you verbally. You have it both verbally and in print.

I agree there likely is a better and more effective way to go through the estimates of the various ministries. I can only speak for my own policy and philosophy, which I know are shared by my staff, when I say that through these estimates debates we want to tell you exactly what is going on in the ministry. We have nothing to hide. We are rather proud of a lot of things and we really feel we like to be challenged by some of the things we are doing. Anyway, I had no complaints at all with the observations made by the member for Lake Nipigon.

The critics did raise a few questions and I would very briefly like to try to respond. If I do not cover their concerns completely in this initial response, we can no doubt get to them as we go through the estimates.

The member for Victoria-Haliburton (Mr. Eakins) wanted copies of the economic and regional development agreement and the planning subagreement. As I indicated the other day, the economic and regional development agreement is available. I expect that on Tuesday,

November 20, 1984, the tourism subagreement of ERDA, which is the omnibus agreement, is going to be signed by me and my colleagues the Treasurer (Mr. Grossman) and the Minister of Intergovernmental Affairs (Mr. Wells), as well as by Sinclair Stevens, federal Minister of Regional Industrial Expansion and Tom McMillan, Minister of State for Tourism.

As I indicated the other day, we expect spending under this agreement will be \$44 million over five years and that, in turn, is going to stimulate approximately \$150 million of construction on major tourism projects by the private sector.

Both the member for Victoria-Haliburton and the member for Lake Nipigon referred to the business of the tourism deficit, the fact that more Ontarians are going away than there are tourists visiting our province. We certainly feel this is a very important subject at all times. We think it is important to look at the travel deficit constantly and we acknowledge that the past few years have not been as satisfactory as we would have liked. There is no argument about that.

The indications are that during 1984 the Canadian deficit for tourism will probably level off. Basically, there will be no change over 1983; so at least we have reversed the trend downwards. We are moving back towards a positive position.

In Ontario there will be an approximate increase of about 10 per cent in our tourism deficit as part of the trend in the right direction.

Mr. Eakins: An increase?

Hon. Mr. Baetz: Increase. This is accounted for by Ontario's slight loss in share of United States receipts coupled with a noticeable increase in the travel of Ontarians to the United States when compared with the US travel of other Canadians.

Ontario is an affluent province and our people do tend to go abroad or to the United States; so we have our work cut out for us. This indicates to us again that our biggest market for tourism, in a sense, is right at home here. If we can encourage Ontarians to stay at home, it will help us correct this deficit position.

The preliminary estimate for Ontario's 1984 deficit is around \$870 million. This represents about a 39 per cent share of the Canadian total

estimate of \$2.2 billion; so we are no better or worse than the other provinces, in creating this national tourism deficit.

Mr. Eakins: What is Ontario's share again?

Hon. Mr. Baetz: It is 39 per cent, which is approximately equal to the population percentage.

The member for Lake Nipigon read us a very interesting letter that had been sent to the Tourist Outfitter—I guess that is the Northern Ontario Tourist Outfitters Association magazine—with regard to the question of price comparisons in the United States and Ontario.

We also have been paying very close attention to the prices tourists encounter as they travel into the United States and those Americans encounter here. In doing this, our most recent tracking study has measured the perception. We have been asking, "What do you Americans really think about the cost incurred by you when you come up here to Canada as tourists?" We have been monitoring this systematically and very closely.

Mr. Stokes: You are saying you took another poll.

Hon. Mr. Baetz: If you like, but it was a close monitoring and it gave us some rather interesting statistics. We can sit here and say the Americans have this perception of us, or the Americans have that perception of us, but it is only when we do a systematic study of those perceptions that we get information that is useful to us.

Anyway, 13 per cent of these Americans believe an Ontario vacation is more expensive, 33 per cent believe it is less expensive and 44 per cent feel it costs about the same. Ten per cent either did not say or did not know which was more expensive. The figures suggest that more than 75 per cent of these Americans consider an Ontario vacation costs either the same amount or less than a similar vacation in the United States.

Mr. Stokes: All I can say to that is you sure as hell interviewed a lot of pork and beans.

Hon. Mr. Baetz: I can get one of our experts who is sitting back here to come and describe the study. Obviously, we wanted to do an objective study.

Mr. Martel: They brought in everything but the gas.

Hon. Mr. Baetz: No.

Mr. Eakins: Have you any background on the study?

Hon. Mr. Baetz: I am quite prepared to have one of our experts explain exactly what was

entailed in this study. If you so desire, I will have him come forward in a minute. We estimate that by the end of this year revenues generated by American visitors will have increased by 10 per cent over last year.

The other thing we should keep in mind is that this letter to the Tourist Outfitter was probably written by somebody who travelled down Interstate 75 or maybe Interstate 95. If you travel down these highways, as I guess most of us in this room have done, the prices in motels and hotels are very cheap. There is a heavy volume of traffic and low prices.

To get a more accurate reading, you have to take a look at what you pay for a hotel in Cincinnati or New York, in Manhattan or wherever. When you look at the prices charged there for meals and for drinks and for food, as this study indicated, we are not out of the ball park in terms of cost as far as the Americans are concerned.

Mr. Stokes: Are you going to make this study available?

Hon. Mr. Baetz: Yes.

Mr. Stokes: If you have documentation to refute the kind of thing I read and the kind of thing my colleague the member for Victoria-Haliburton said, you should use it.

Hon. Mr. Baetz: Yes, we will. As a matter of fact, I would be very happy to have Mr. Baker, the assistant deputy minister of tourism, fill in some points about the kind of study we did. It may have been a little surprising, but it was certainly very encouraging to know what we picked up about how the Americans perceive us with respect to costs and prices.

Mr. Stokes: But that is the perception that is left.

Hon. Mr. Baetz: Exactly.

8:20 p.m.

Mr. Stokes: You particularly have a responsibility to refute it if you can and provide us with that. It is known throughout the province that Mr. Eakins and I are critics. It will go to Mr. Peterson or it will go to Mr. Rae and it is immediately funnelled down to us as critics and we have to prepare a response for the caucus. If you have something to refute what both of us has said, please give it to us—not in the vague terms you have given it to us now but something we can get our teeth into.

Hon. Mr. Baetz: We do. Before these estimates are over we would like to have Mr. Baker, the assistant deputy minister of tourism, or one of his staff here, fill us in with the details.

Mr. Eakins: We could do it tonight.

Hon. Mr. Baetz: All right, do it tonight. I see Mr. Baker here and we can get on to that as soon as you like.

Mr. Chairman: I think we should finish off this response and then perhaps we can get into that as part of the questioning.

Mr. Stokes: I did not want him to think he was off the hook.

Mr. Chairman: I agree. I am in sympathy with what you say, Mr. Stokes. We all hear the same thing; that it costs much more to have a holiday in Ontario than anywhere else.

Mr. Eakins: It's a good time to hit it. I think we should do it; perhaps after the minister's response we might get into some of these things.

Hon. Mr. Baetz: We would certainly welcome that. Mr. Baker is here and he will take us through the study.

The other thing was taxation. This was raised by both Mr. Eakins and Mr. Stokes. Chief among our concerns is the effect that taxation, both direct and indirect, has on the economic well-being of tourism in this province. It is something of ongoing concern to me and to the ministry.

In this current year we have increased our efforts to seek taxation relief for the industry and those efforts will continue. On our own, with Tourism Ontario and with the Ministry of Industry and Trade, we have addressed a number of tax-related subjects for consideration by the Treasurer and the Minister of Revenue. We have addressed the retail sales tax on gasoline, the purchase of supplies and equipment, tax credits in job creation, in equity investment, property tax assessments, liquor tax and so on.

But considering taxation as it affects tourism—and that is the central point of concern here—we should be careful not to let ourselves get spooked into feeling we are taxing ourselves totally out of the market. We should not think the only reason there might be some deficit in tourism travel is taxes.

For example, we should look at European countries. Canadians go to Europe and Europeans come here. We should look for a second at taxation as it affects the Ontario tourist going to, say, Germany. We find that Germany's tax on liquor, food and accommodation is not five per cent and 10 per cent but 14 per cent. It is higher than ours. Austria levies a tax of 18 per cent on food and alcohol. In the United Kingdom 15 per cent is levied on alcohol and accommodation. Yet those are successful tourism countries.

Obviously, a government can levy a tax on items that relate to tourism and yet can carry on a very successful tourism industry. As Canadians and Ontarians we just have to keep that balance in mind.

Mr. Eakins: You have to appreciate that we have raised these issues because we have an increasing tourism deficit. It has increased very substantially, from \$300 million or so, up to about \$700 million. There must be a reason and that is why we raise the subject.

Hon. Mr. Baetz: Sure. Anyway, that is the European aspect of it.

As Ontarians we are more interested, I suppose because of the numbers of tourists involved, in the taxation rate of neighbouring American states. But there again, it might be well to remind ourselves that New York's taxes go up to 8.5 per cent on alcohol and up to eight per cent on accommodation.

We talk about a five per cent accommodation tax here in Ontario, yet in New York state we find that with the state and municipal taxes, it goes up to eight per cent. Ohio taxes 7.5 per cent on alcohol and up to 6.5 per cent for accommodation. The list could go on, but I think it does not help the tourism industry for us to assume we have absolutely taxed ourselves right out of the market because of accommodation taxes and alcohol taxes and so on.

Mr. Reed: I bought a 60-ounce bottle of Ballantine's last weekend in Buffalo for \$16.

Hon. Mr. Baetz: This has probably very little to do with taxes. It probably has to do with the fact that in New York state and in Ohio and all the other American states, as you know very well, the price of liquor is not regulated as it is here in Ontario, or as it is in every province in this country.

If you want to deregulate the prices of liquor—

Mr. Reed: Not a bad idea.

Hon. Mr. Baetz: Well, if you want to change it, if your party wants to advocate that position, let us hear about it. The point is, in this province we have a regulated liquor industry and we do have these taxes and we do have a control on the prices and so on.

Mr. Reed: It is far more than eight per cent.

Hon. Mr. Baetz: We again have to see this in its proper perspective.

The other thing is that when we look at taxation in Ontario, as it relates to taxation in New York state, Ohio, Illinois, and Michigan, we have to keep one basic fact in mind. That is, we have in this province an enormous public

expenditure, that is met through taxation—one they do not have in any of the American states, and which I suspect would get the support of all parties in this province—and that is health care. We have here a first-class health care system financed out of taxation.

Mr. Reed: Is that a booze problem?

Hon. Mr. Baetz: Well, that is part of it, let us face it.

The fact is we have an outstanding public health care system they do not have in New York or Michigan or any of the United States. It is now almost a third of our provincial budget and the funds have to be found somewhere.

Mr. Eakins: Are you saying we have to expect an increasing deficit in tourism as far as Ontario is concerned? What we are trying to get at—and what I think Mr. Stokes has also mentioned—is the fact that the tourism debt has increased from 1980-81, up from \$300,000 to \$700,000. Why is that? Is it the taxes, or are you saying because of a good health care system and other things we now have to expect an increasing deficit? We want to know why there is an increasing deficit.

Hon. Mr. Baetz: No, we do not have to expect an increasing deficit. In fact, the trend is in the opposite direction. All I would remind the members of the committee—we should remind ourselves—

Mr. Stokes: You do not have to sell me on socialism, you know. You are the best advocate.

Hon. Mr. Baetz: Maybe we just have to remind ourselves that the tourism industry is one segment of the broader system of the economy, of the taxation system and so forth; and there you have it. You have the pros and the cons, the ups and the downs.

Mr. Eakins: We just want to close the gap between the 20 per cent on the American—

Mr. Chairman: I am a little concerned about time here. Should we not let the minister go through this and then ask questions as we go through the votes—

Mr. Stokes: You were not a bit concerned Tuesday night, Mr. Chairman. Just cool it. It will all work out in the end.

Mr. Chairman: I am sure it will, but I would like to get through this so we can get into the questions on the main votes.

8:30 p.m.

Hon. Mr. Baetz: I think we are all agreed that the health care is an important difference.

The member for Victoria-Haliburton raised the question on the Ontario Private Campground Association regarding the possibility of lot licensing fees that campground operators oppose.

Mr. Eakins: Is this a major statement you are going to make tonight?

Hon. Mr. Baetz: No, I am not making a major statement.

Mr. Reed: How does the Minister of Natural Resources (Mr. Pope) feel about this?

Hon. Mr. Baetz: I simply want to tell you that my ministry has from the very beginning vigorously supported the position of the private sector campground operators in this respect; we continue to support their position. Without going into detail, I can tell you that I am very optimistic about the outcome of this, and if you—

Mr. Eakins: You may not bring in the bill, then.

Hon. Mr. Baetz: I am not going to state specifically whether a bill may come in or may not come in; that is not for me to say at this particular time.

Both the member for Victoria-Haliburton and the member for Lake Nipigon the other night raised the question, quite correctly, about the advocacy role of this ministry, about what we are doing to be the spokesman for the tourism industry, and here is one example with the Ontario Private Campground Association.

We have every reason to feel that this ministry brought the views of the private campground operators to the decision-making table, and we have represented them very effectively. I am not going to tell you in detail how it is going to happen, but we have made our point.

The other question that was raised was about financial assistance—I think the member for Victoria-Haliburton raised this one—for fire and safety equipment. I would like to point out that, in an effort to comply with the new fire safety regulations, certain tourism operators may incur unplanned expenses; we recognize that. To help alleviate this burden we, together with the Ontario Development Corp., will make assistance available through incentive loans, and we are going to announce details once they are finalized.

Obviously, in the interests of public safety these fire regulations will have to be implemented, but we are going to help those private entrepreneurs who are going to be adversely—

Mr. Eakins: Will it be coming out fairly soon?

Hon. Mr. Baetz: Yes, it will.

Mr. Eakins: It is a step in the right direction.

Hon. Mr. Baetz: On the advocacy role again, we believe it is our role to work with colleagues in other ministries, with all levels of government and indeed, as I have indicated, with the private sector in order to promote tourism in Ontario.

The member for Lake Nipigon raised the land use question, which is, of course, a major consideration to us. He referred to the ongoing conflict over resource use that is taking place in the north. For the past three years my ministry has been very active in that whole area of land use, and again as advocates for the tourism industry we have taken a number of actions, each of which, we are convinced, has borne fruit.

In the first place we were very active throughout the district land use planning process in the north, when the ground rules and the guidelines for land use were first being prepared. My ministry at that time provided input to all of the plans for each district in the north, and many of the Ministry of Natural Resource's policies in matters of practical significance to the tourism industry, with particular reference to fish and wildlife, parks and forestry, were modified or developed as a result of our involvement. We really feel we have left our imprint on those new regulations.

Second, the ministry has appointed directors at the field level specifically to provide a more senior presence at meetings with MNR and the forest industry. We now attend meetings on an ongoing basis to discuss resource allocation problems and forest management throughout the north. Again, both the member for Lake Nipigon and the member for Victoria-Haliburton are fully aware that through reorganization of our field staff, with the upgrading of our personnel, we now have in place senior people, so that when things get to the table where strategies are considered and decisions presumably made, tourism is there and its voice is heard better than it ever has been in the past.

Third, we have been instrumental in developments in several key areas. The moose allocation program has already enabled—

Mr. Kerrio: That moose deal is sad.

Hon. Mr. Baetz: It is sad? Why? Did you not get one last year, Vince?

Mr. Kerrio: If you start now to implement decent reforestation with a real commitment to wildlife, maybe in 25 or 30 years we would have moose enough to hunt.

Hon. Mr. Baetz: We might even have them down in the Niagara area.

Mr. Kerrio: Really, you could do something there.

Hon. Mr. Baetz: Quite seriously, we are convinced the moose allocation program has enabled the tourism industry to derive economic benefit from this valuable resource, with 10 per cent of the annual kill now allocated to the industry.

Fourth, the ministry has been very active in the development, planning and implementation of forest resources policies. This is a complex area and we have chosen a course of working closely and continuously with the Ministry of Natural Resources and other ministries in order to advocate the interests of the tourism industry at the policy-making point. Accordingly, we have responded to the draft class environmental assessment for forest management of the Ministry of Natural Resources. That is an ongoing issue.

Mr. Eakins raised the question of rail lines. We are very alert to the potential opportunities afforded by the abandonment of rail lines in all parts of Ontario. These may well serve as ideal recreation corridors and we are happy to say this view is shared by the Ministry of Natural Resources. That ministry is seeking to obtain funds for the acquisition of selected abandoned rail lines. As a good example, you have given us one in or near your riding.

Mr. Eakins: Victoria-Haliburton, that is right.

Hon. Mr. Baetz: With regard to the issue raised by Mr. Stokes on Nipigon, that enormous, tremendous, undeveloped potential of the north for tourism, I can only say my ministry and the ministries of Northern Affairs, Natural Resources and the Environment are aware of and sensitive and responsive to the proposals and interest of Mr. Stokes in this issue for quite some years.

We are prepared to move. We are prepared to support whatever effort Mr. Stokes can put forward, but we feel the Nipigon Economic Development Committee is really the local agency that must now deal with the issue. The ball is in its court. We look to the committee to come and work with the four ministries interested in this, then we can see what can be done. Certainly, there is no argument with the position that has been taken by Mr. Stokes on that over quite a number of years.

On the issue of tourist treatment and fair currency exchange, again raised by Mr. Stokes,

we recognize that of key importance to the tourism industry in Ontario is the experience visitors have when they are here. A good experience is far more important than a lot of expensive advertising. Tourists take with them their memories, both good and bad. Therefore my ministry has fielded and followed up on some 500 complaints, which I must say immediately is a very insignificant number, given the millions of visitors to Ontario.

8:40 p.m.

Whenever we get a complaint, we do not file it. We follow through, see what happened and where we can improve. On a continuing basis we advise clients on the importance of treating tourists in a hospitable manner.

The favourable exchange rate Americans have when they visit our province—an exchange rate, I might add, that promotes tourism by Americans—can have negative results when that exchange rate is not honoured, as it was not in the case of the Toronto Transit Commission. I think you both mentioned that. We recognized that what TTC did was unfair and was a legitimate source of many complaints.

In May 1984 my ministry contacted Mr. Savage, the chief general manager of the TTC, about the TTC's 10 per cent exchange rate. Whether it went up to 25 per cent or whatever, they said 10 per cent. We know that offended a lot of our American guests. In June Mr. Savage assured my ministry that this practice will be discontinued and that the rate has now been adjusted to 25 per cent.

Mr. Eakins: That is an interesting increase because last year it was really a ripoff. It was not good and I think you admit that.

Hon. Mr. Baetz: We are not defending the 10 per cent at all. It was most unfortunate and we have taken steps to have this corrected.

Mr. Eakins: That is great. I appreciate it.

Hon. Mr. Baetz: We are also dealing with the issue of fair exchange rates with members of the Niagara Falls code of ethics committee. We know there are some places, and Mr. Kerrio might understand this, very few, a minority; but we know Niagara Falls is a great tourism area—

Mr. Kerrio: Our locals are trying to give fair exchange rates.

Hon. Mr. Baetz: There might be the odd one who is engaged in a ripoff. We are working co-operatively with the Niagara Falls code of ethics committee.

Mr. Kerrio: They feel if one breaks the trust, it makes it bad for everyone.

Hon. Mr. Baetz: That is right. That is the one incident that gets the headline. Everyone talks about it. Tourists go home and talk about it and so forth. We are very sensitive to this. Fair exchange rate practices are of paramount importance at points of entry where we provide currency offices.

There is something we have to keep in mind here. We cannot police the exorbitant exchange rate charged by somebody who runs a service station up in Nipigon. We cannot really police that. We can only hope all of us get the message out that, in the long haul, it is bad business.

What we can do is to encourage the American tourists when they come into this country to exchange their currency at an official station. For that reason, in all our information centres at border points, we have, as most of you know, our—

Mr. Kerrio: You get your 10 per cent.

Hon. Mr. Baetz: It is not 10 per cent. We have the official currency rate right there. You may be interested to know that in 1983 more than 435,000 Americans did change their currency at our information centres and they got full value for their money. We are aware of that as a problem and we think we are making some strides with it.

On the subject of roads, Mr. Eakins talked about Highway 89. My staff has been directly involved with the environmental assessment of the proposed Highway 89 extension and has supported this project because of the expected improvement in traffic flow and the attendant positive impact on tourism in the area.

My colleague James Snow has my full support at the cabinet table when road improvement matters are brought forward specifically, because this minister understands the importance of good roads to the tourism infrastructure of the province.

Mr. Eakins: Is there any indication of where Highway 89 stands at present; or is it not a possibility right now?

Hon. Mr. Baetz: If Mr. Eakins would like more detailed information on that, we can provide it here.

Mr. Eakins: No; I can get it through the Ministry of Transportation and Communications.

Hon. Mr. Baetz: We can provide it here tonight too.

Mr. Eakins: It is a question of tourism, especially in eastern Ontario, because we do not

have a direct east-west link. That is the reason I brought it up. It is a very important tourist area.

Hon. Mr. Baetz: I am sure Mr. Baker will be able to provide you with the latest report on the planning for that.

On the matter of signage, which was raised by both Mr. Eakins and Mr. Stokes, this is certainly not a new one. My ministry, as well as the tourism industry in Ontario, are represented on an interministerial committee which is reviewing signage policy in the province. The effect of signage on tourism is a key concern. I would just like to assure—

Mr. Stokes: How long have you had representation on that committee?

Hon. Mr. Baetz: It has been about five, six or seven years anyway.

Mr. Stokes: That is enough time.

Hon. Mr. Baetz: I think we have made some progress on it. I can assure you that we are putting before this committee matters of identification at Bobcaygeon and Kirkfield and Nipigon as strongly as we know how. You can take this matter up again next year, but I would predict that we will make some progress on some of these points, particularly Nipigon, and probably Kirkfield as well.

Mr. Eakins: It is just the fact that the Ministry of Transportation and Communications often feels it is their prerogative and it is their baby. They are forgetting the importance of other jurisdictions such as tourism. Tourism is a big part of it.

Hon. Mr. Baetz: It is.

Mr. Eakins: I bring those to you as examples, very seriously.

Hon. Mr. Baetz: On the bus and transit support—this is raised by Mr. Eakins, about increased public transportation to areas such as Haliburton or Algonquin Park—I think Mr. Eakins would probably be the first to recognize this matter is really beyond the scope of the Ministry of Tourism and Recreation.

I can understand why he is interested in the question, and we are, but obviously this ministry is in no position to create opportunities for private bus tour operators. This is something for the private sector. We can help them, we can provide some logistical support, but it really goes beyond the management of this ministry.

Mr. Eakins: Not necessarily, but I will not go into that debate right now. There is a public aspect, but we can discuss that later.

Hon. Mr. Baetz: I believe it was Mr. Eakins who raised the question of the dinner stadium in Toronto. Again, I think he would recognize this is a matter that is now in somebody else's

Mr. Kerrio: We do not need it this year.

Hon. Mr. Baetz: It is too late for this year. Mr. Eakins raised Bark Lake, and I can only say that we share his enthusiasm about the success of the various activities at the Ontario Camp Leadership Centre at Bark Lake. We intend to continue the spring, summer and fall programs and we are studying, along with the Ministry of Government Services, the possibility of winterizing most of the facilities.

Mr. Stokes raised the question of transportation for disabled athletes. I can only say that when any disabled or able-bodied athlete is named to a Canadian team, of course we write personal letters of congratulations and we send a telex to the competition site as soon as the results are officially posted, and all medalists are invited to next year's sports achievement awards banquet where they are publicly congratulated and given a scroll indicating their accomplishments.

Mr. G. I. Miller: Even if they are disabled?

Hon. Mr. Baetz: Oh, yes. I think the disabled athlete Mr. Stokes referred to was in the Olympiad in New York this year. That person would be invited to the sports awards dinner that is coming up next spring.

Mr. G. I. Miller: The gold medalists?

Mr. Stokes: Along with the critics?

Hon. Mr. Baetz: I think maybe if you were—

Mr. Eakins: They missed this year, but they were there the year before.

Hon. Mr. Baetz: I think you are invited all the time.

8:50 p.m.

Mr. G. I. Miller: Is that gold, bronze and silver medalists?

Mr. Martel: All members used to be invited. Reuben.

Hon. Mr. Baetz: Mr. Novak or Mr. Haines would be happy to give you the details as to precisely who among the disabled athletes are invited.

Mr. G. I. Miller: Gold, bronze and silver?

Hon. Mr. Baetz: I think the question Mr. Stokes is raising is whether a disabled athlete is recognized in the way that an able-bodied athlete is, and the answer is yes. If you want to go today

details, I am sure Mr. Halstead or Mr. Secord would be prepared to give them.

Mr. Stokes: I saw no mention of it, that is why I raised it.

Mr. G. I. Miller: We had the same circumstance where we had one blind boy who had done exceptionally well, and his parents felt he was not being recognized like the other athletes. I think he was either a bronze or a silver medallist.

Hon. Mr. Baetz: I am sure that either Mr. Secord or Mr. Halstead would be prepared to answer that, but there is no jurisdiction anywhere in the world that has done as much for disabled athletes as has Ontario.

Mr. Kerrio: There is no jurisdiction in Canada that has the money.

Hon. Mr. Baetz: Well, whatever you say.

I would just like to touch on one final matter here. Bernie Newman is not here but he raised the question that the athletes who made it to the 1984 sports awards banquet were all Olympic medalists, not Pan-Am Games and other athletes. Mr. Eakins asked why Mr. Newman was not recognized as one of our greats; he was maybe not an athlete, but he was a coach, a very prominent Olympic coach and probably the first gymnastic coach.

That raised a very interesting question, because in one of the wings of this building we have set up a public display for people who have contributed to the sports world; I refer to the sports hall of fame in the east wing.

Your comment, Mr. Eakins, has led us to ponder this question. There may be a real possibility that someone with Bernie Newman's achievements, who has been a member of the Legislature—

Mr. Eakins: One of us.

Hon. Mr. Baetz: One of us, that is right. The Premier (Mr. Davis) might give us his football shirt, or maybe Mr. Martel would hang up his skates here.

Mr. Eakins: He might give you his pipe.

Hon. Mr. Baetz: Or his pipe or something like that.

Mr. Martel: I would never give my football knee away; the Premier might.

Hon. Mr. Baetz: Quite seriously, that is something we would like to look at. Certainly we recognize the achievement of Mr. Newman in the Olympic gymnastics field and we would like to see whether there is something he might contribute to this display.

Mr. Eakins: I only mention it because he is one among us as a member, and he has brought great honour to the province and to Canada. He has contributed to amateur sport from the very first. He was a pioneer in the early days. We are very honoured that he is among us. He is a modest gentleman, but he has made a great contribution.

Hon. Mr. Baetz: That is true and, as I say quite seriously, we will be very happy to discuss with Mr. Newman whether he has something that he might want to contribute, a sweater or a medal or whatever, so we could honour him in this collection.

I have not covered every question raised by my two honourable critics but I at least tried to cover in a very general way the major points. If they have further questions, I am sure we can pick it up as we get into the details of the estimates.

Mr. Chairman: Thank you, Minister. I think we should proceed in a kind of orderly fashion by discussing, as much as possible, vote 2701, which is the administrative program.

On vote 2701, ministry administration program:

Mr. Kerrio: What? Break the routine?

Mr. Chairman: Why break the tradition, I know.

Mr. Eakins: Perhaps arising out of that there might be some questions that New Democratic Party members might want to ask. I would gladly pass to one of my colleagues here.

Mr. Reed: Had a question he wanted to ask. This might be an appropriate time.

Mr. Stokes: There was one question you did not answer. I drew to your attention the fact that this year's estimates were down by \$9 million. You rationalize that by some of your footnotes, but the net effect is that you have reduced tourism development by \$1.8 million, parks and attractions by \$7.3 million, and ministry field operations by \$7.6 million, even though you have given them more chores than ever before, according to your opening statement and response this evening.

You have a total of \$16 million less on those three items in the budget. How do you propose to do as much as you did last year by having those reductions?

Hon. Mr. Baetz: Those are obviously very important questions. I would prefer to answer them as we get into the details of the estimates because they are going to be coming up at that point.

Mr. Chairman: If that is okay with you, Mr. Stokes, we can address it.

Mr. Reed: You have a question. I guess it will be difficult because we do not have a lot of time. On Tuesday night we are getting people representing the parks and attractions area of the ministry, so we can restrict that area to Tuesday night. Perhaps we can wander around in any of the other areas.

Mr. Eakins: I am quite open on however members want to go on any questions tonight. **Mr. Reed,** I think had something—

Mr. Chairman: Mr. Reed, first of all.

Mr. Reed: Mr. Chairman, I would like to ask some questions about a specific element of the function of the ministry, the Sports Administrative Centre. I was wondering if there was anyone here who could answer regarding expenditures in this area.

9 p.m.

Hon. Mr. Baetz: Yes, indeed, either Mr. Halstead or Mr. Secord. I could, but I am sure—Joe?

Mr. Chairman: Do you want to come up to the table please?

Mr. Halstead: Mr. Chairman, my name is Joe Halstead and I am the director of the sports and fitness project of the Ministry of Tourism and Recreation.

Mr. Reed: The Sports Administrative Centre which is a wing, of sorts, of the ministry, last year received a grant of \$2.6 million. It acts as an umbrella organization, as I understand it, that houses and aids organizations within it. How many organizations operate under the umbrella of the centre?

Mr. Halstead: There are 76 sports governing bodies that are recognized and supported by the ministry.

Mr. Reed: Seventy-six?

Mr. Halstead: Yes. Of that, 48 to 50 have their own officers with executive directors and full-time staff located at the centre. The other 26 or so are supported for services and other administrative kinds of things.

Mr. Reed: Some of these organizations, in addition to the support they receive from the centre, also receive what are called base grants; they also receive moneys from Wintario from time to time, and they also receive additional grants from time to time.

Mr. Halstead: Correct.

Mr. Reed: Are the expenditures of these organizations accountable to the public in any way upon their receipt of these moneys?

Mr. Halstead: To the extent they report to the ministry, yes, they are accountable to the public.

Mr. Reed: Would their annual reports be public information?

Mr. Halstead: Yes.

Mr. Reed: Could you tell me, then, why I have been unable to receive the annual report of an organization called Canoe Ontario?

Mr. Halstead: I cannot answer that, but if you ask our office, I am sure we would be prepared to—

Mr. Reed: You would supply that to me?

Mr. Halstead: Sure.

Mr. Reed: I would like to put that request—

Mr. Halstead: You are talking about the financial report?

Mr. Reed: Yes. I would like to put that request on the record, because I want the committee to know that I have asked both the ministry and the organization itself and have been refused on both counts.

Mr. Halstead: Excuse me, Mr. Reed, would you tell me who you asked within my ministry?

Mr. Reed: I cannot recall the name, but I can find the name and transmit it to you. I would be pleased to do that.

Mr. Halstead: I assure you, sir, you will get that information from me.

Mr. Reed: Thank you very much.

When you make these base grants to these organizations, are there any restrictions on those grants or are they simply made in a block for whatever use the organization chooses to make of them?

Mr. Halstead: No, they are given for specific purposes.

Mr. Reed: For specific purposes.

Mr. Halstead: The areas of support are administration, human resource development, competition, communications and planning.

Mr. Reed: Planning, okay. Within that group, there is one breakdown I have seen called special projects that goes under administration.

Mr. Halstead: Possibly.

Mr. Reed: Would it be the policy of this ministry that moneys so given in terms of grants would be used to launch lawsuits?

Mr. Halstead: I do not think so. I have not come across that one.

Mr. Reed: If an organization was a recipient of a grant from your ministry and was using the money to sue the government, what would you

say about that? What kind of response would you make?

Mr. Halstead: Certainly using our moneys to sue us would not be acceptable.

Mr. Reed: How would you deal with that?

Mr. Halstead: With respect, I would ascertain whether in fact it was our own money that was being used to launch a libel suit or lawsuit against us. If that were found to be the case, we would certainly not permit it. We would ask for the money back.

Hon. Mr. Baetz: Mr. Chairman, maybe the questions are being slightly unfair here. I know, and maybe Mr. Halstead knows, that Mr. Reed is raising some questions that deal with a very personal and specific point—

Mr. Reed: Yes, I certainly am; and I ask them because I am entitled to ask them.

Mr. Chairman: It is probably a little bit unfair to ask them of Mr. Halstead. If the minister wishes to—

Mr. Reed: In that case I will simply redirect the question to the minister.

We have established that the ministry in 1983-84 paid \$2.6 million to the Sports Administrative Centre, and one organization was the recipient of \$91,800 in the 1983-84 budget and the planned recipient of a grant of \$90,800 in the 1984-85 budget. The same organization is launching a lawsuit against the government. How does the ministry respond to that?

Hon. Mr. Baetz: Mr. Chairman, before I reply—we still have about three or four hours of estimates left—I would like to take a look at that specific case and report back to the chairman and to this committee and give my observations at a later date. I do not know exactly where this particular issue stands at this time, but I would like to take the question under advisement.

Mr. Reed: All right. I do not want to tax you. You obviously have stated that you will come back with some sort of response, and I appreciate that very much. It has been explained that there are some specific parameters around which these grants are given. What kind of response would you have if you found that the support you gave to an organization such as this was used in such a manner?

Hon. Mr. Baetz: As I say, I would like to reserve information on this specific subject until a later meeting. I would only like to state the general policy of my ministry and of this government with regard to the funding and financing of our sports governing organizations.

There are some 76 organized sports that this government, as a matter of policy, helps finance. We think it is in the very best public interest to do so. We do so at arm's length, and we think that is very important. We do not believe the government should be in bed with or looking over the shoulder of sports governing bodies just because we happen to finance some of their core operations. Obviously, many of them rely on income from their members, from volunteers and from the general public. We have to keep this particular philosophy in mind when we raise the issue of how closely we become involved in their daily activities, whether it happens to be a lawsuit or something else.

I would like to defer that question until later in this session. At that time I will certainly give you all the information we have on the subject.

Mr. Reed: You are then giving us an undertaking that you will share that information and give us some sort of policy statement before the end of these estimates.

Hon. Mr. Baetz: I will take the whole question under advisement and see what information there is that we can usefully provide to this committee.

Mr. Reed: I thank you; and I suspect you agree with Mr. Halstead that an annual report, a financial statement, will be forthcoming as I have requested, even though your ministry up to this point has refused it.

Hon. Mr. Baetz: I do not know whether we have refused it.

Mr. Reed: Yes, you have.

Hon. Mr. Baetz: My ministry has refused it?

Mr. Reed: Yes.

Hon. Mr. Baetz: If we have refused it, we have probably refused it because we did not have it ourselves or because we assume that a sports governing body has its own annual report and distributes it to the general public. I do not know.

Mr. Eakins: On a point of principle, if you financially assist a particular organization or sports field, would you not be entitled to the annual report, and should not that annual report be public?

Hon. Mr. Baetz: These are public associations. I cannot imagine that an association such as this would not have an annual report and that it would not be disseminated among those who want it.

Mr. Eakins: The point is that if you are contributing, then that report should be public, just as if you contribute through Ontario capital

grants, that facility must be open and available to the public.

Hon. Mr. Baetz: That is a fair observation. As I say, I want to look into the details of this specific case.

Mr. Eakins: You will report back on that one specifically then?

Hon. Mr. Baetz: Yes.

Mr. Eakins: Okay.

9:10 p.m.

Hon. Mr. Baetz: Certainly not only should we have an annual report but also we should get a financial statement from these various sports governing bodies.

Mr. Reed: Okay; I appreciate that, and we will expect a financial report.

Mr. Chairman: If it is to be within these estimates, it will have to be on Tuesday evening.

Hon. Mr. Baetz: We will try our best, and if it cannot be done, I will use whatever other mechanisms are open to me to get the information you are looking for to you.

Mr. Reed: I take it that you will have a statement of policy regarding the use of the money that goes to these organizations, some kind of indication as to whether this quite substantial government support can be used in ways that are not directly associated with the promotion of whatever sport in which they are involved.

Hon. Mr. Baetz: I would just have to enter one caveat in this discussion, that if this specific case is right now before the courts—

Mr. Reed: No, it is not.

Hon. Mr. Baetz: It is not? If it were, as you understand only too well—

Mr. Reed: This would be sub judice; in fact, the case is tentatively scheduled for March.

Mr. Chairman: Mr. Martel, do you have questions?

Mr. Martel: Mr. Chairman, I have a few things I want to say. As usual, I will try not to be provocative. Everyone knows that is the case.

I am sure it comes as a surprise to most people that I am going to talk about kids and what we are doing to them in this province. I want to start by saying that the minister has shared with me some ideas he has. I will try to encourage him this evening to be a little tougher than he intends to be.

I appreciate the direction in which the ministry is starting to move, but by now I have watched the McMurtry report go by the boards, and the

Dr. McPherson report, which in my opinion was an excellent one, to which those people who are responsible for hockey in this province paid lipservice for about a year.

I know the government developed the Hockey Ontario Development Committee. I have read some of its material and looked at it carefully. I have been very impressed with what was being prepared by Bob Firth and the group he was working with, which included Vern Buffey and so on.

However, I want to draw the minister's attention to two statements which I think drive home the point I am trying to make. The new chairman of the Ontario Hockey Association took office only on April 30, 1984. I am told the outgoing chairman spent the last 20 minutes of his departure maligning the poor, helpless member for Sudbury East.

Mr. Reed: You?

Mr. Martel: Yes.

Mr. Eakins: You are kidding.

Mr. Martel: Of course, the incoming chairman, Mr. MacKinnon, had some choice words for the member for Sudbury East.

Mr. Chairman: Who is that member, by the way?

Mr. Martel: He is just a shrinking violet. Mr. MacKinnon said such things as, "I have too many other things to worry about right now than a one-man crusade. His is the only name I see in the papers, although I do not know how big the groundswell is, if any."

Truly, that is an indication of the attitude that still prevails. What is even worse is that in the *Globe and Mail* article of just two weeks ago, Brent Ladds, with whom I am sure you are familiar, made the following statement—and this is why the minister's good faith that these birds are going to provide a safety board is unfounded given what they are saying.

Mr. Ladds said, "After all, they are just a group of volunteers." I agree the people at the ground level are volunteers. The group at the top has been in control for a long time and does not like anyone interfering. In fact, they do not think anyone has any right to even suggest there might be change or the need for change. What is worse, they do not even think there is a necessity for change, because Mr. Ladds, the president, I guess, of the Ontario Hockey Association, says: "We do not think violence is a major issue for hockey. If it were, we would address it." I tell you, that was two weeks ago.

Maybe the minister has more faith than I have, but I have been around the horn with this one since 1973, when my colleague the member for—what is your riding now called, Jack, Thunder Bay?

Mr. Stokes: Ask the minister.

Mr. Martel: Lake Nipigon; but it used to be a different name. We went around the horn with Bill McMurtry in 1973-74. We then went around the horn in 1979 and 1980 with Dr. McPherson and Lloyd Davidson. And here we have these people saying, "We do not think it is a problem." I want to know, and I know what the minister's intentions are, what is it going to take to make some of these people realize there is a problem?

There has been the McPherson report, the McMurtry report, Mr. Justice John J. Urie and Larry Regan's report and Dr. Niron and his group in Quebec. Dr. Niron and a group of physical education teachers had some confrontation with the government and with the hockey association and, finally, the government recognized Niron was right, because in Quebec last year sports accidents cost the Treasury more than \$60 million; that was a conservative estimate.

When people say to me, "What right does the government have to be involved?" I tell them, "Sixty million dollars' worth of right." If Quebec's was \$60 million, ours is higher, because most of the spinal injuries have occurred in Ontario. The cost for 20 years for one of them is in the neighbourhood of \$1 million.

We have a right, and what is more important, we have a responsibility to those young people, because your friend the Attorney General (Mr. McMurtry) does not condone violence on the streets. We have many police forces—the Ontario Provincial Police, municipal police, the Royal Canadian Mounted Police—to stop violence, except in arenas where we condone it.

I say to the minister in all sincerity, these birds—McKinnon in April and Brent Ladds two weeks ago—say it is not even a problem. Ladds went on to say that all you were trying to do is appease me; it was just a response for the member for Sudbury East. They are not convinced there is a problem. That is where the problem starts.

I do not know how many more statistics we need. When we started this study in April there were 48 spinal injuries, including 29 in Ontario—25 resulted in quadriplegia; there are now 27—and two fatalities.

Mr. Chairman: Excuse me. These are all from hockey, are they?

Mr. Martel: These are all from hockey, every last one of them. In eight years.

Mr. Eakins: What was the extent of the spinal injuries? When you speak of 29 spinal injuries—

Mr. Martel: There are 27 with quadriplegia today.

Mr. Eakins: There are 27 out of 29?

Mr. Martel: Out of the 48. Pardon me. There is a total of 48 but 29 of the spinal injuries are in Ontario; we lead them all. Dr. Taylor's study even indicated how they happened.

9:20 p.m.

The Canadian Amateur Hockey Association brought in a new rule. We know that 16 of these young people were struck from behind. I get so irritated. They bring in a new rule: Two minutes if you hit from behind and five minutes if you hurt the kid. Pardon me for saying so, but I could swear like mad when I hear that: five minutes if you hurt him. We want to eliminate that practice.

I think government has a responsibility. We know that hitting from behind created 16 quadriplegics and we do not have enough intestinal fortitude to say, "No, you will not do it." I do not care if half of them quit, because just one boy's life ruined—just one—is one too many.

The parent of one of those quadriplegics—although his name has not shown up—is working with me on this group. The boy's life is ruined. The parents are laying out money like mad. There is going to be a lawsuit.

The crazy part is that I recently appeared before the Law Reform Commission of Canada at their request. They are talking about suing kids. I said to them: "You must be crazy. You do not sue kids because, first of all, one boy is the victim and we are going to sue another boy."

I do not care if half of them quit, because I am going to tell you there are a lot of bright young people out there who will take their places tomorrow. Their structure is such that none of those young people get to the top. I hope some of them quit, take their marbles and go home. We will be better off without some of them.

I recently received a study from a doctor in Manitoba that lists five spinal injuries, all quadriplegia; two of them hit with a cross-check; and four of them smashed into the boards. They keep being apologetic and saying "We, as government, do not want to interfere." I am not interested in interfering for interference's sake. We have a responsibility to protect kids. It does not have to be negative. That is what drives me around the bend. It is where we are going to have to put our money.

By the way, we are waiting for the response to the minister's letter to Mr. Gardiner to explain a

series of accidents and the resignation of Phil Vitale. I know the minister was not happy with the first one. It was to his credit that he told him: "This is not acceptable. It is nonsense."

What about the game I raised in the House? You were away, and I went to the Attorney General, but he played the same game: "The government cannot get involved. We cannot do this and we cannot do that."

I took this letter to Dr. Carson, the doctor who helped me with this report. He just took one case in this report—the case of Anthony—and said: "This is what it is going to cost. They had to rush him to the hospital; it will be \$50 admission." He listed the costs: \$33 for this, \$20 for the doctor, \$30 for X-ray, \$20 for the radiologist, probably \$100 for the orthopaedic surgeon to set it, \$15 for drugs and \$300 a day if he had to stay in hospital. This is for one accident. This particular game had five of them.

The first boy smashed heavily into the boards; he had a badly bruised shoulder. The second boy—hit from behind, by the way—suffered a dislocated shoulder in an incident that happened well behind the play. The defenceman caught him from behind and deliberately pulled his feet out from under him. The third injury was a broken collarbone on a check from behind into the boards. The fourth victim suffered lacerations and a large bruise to the left side of his neck. The fifth accident: they lent a player to another team; he also got nailed in the corner against the boards and suffered a broken collarbone.

It was interesting that after I raised this question on Friday, the Treasurer was in an arena here in Metropolitan Toronto watching his son play, and during that game there was another broken collarbone.

These are 13- and 14-year-olds, in one game. We say we do not have a right to interfere. We would certainly have a right if five youngsters had their clocks cleaned and were beaten physically on the main streets of Toronto, Ottawa or Sudbury. We would have police coming out our eyeballs trying to find out who did it, but in hockey it is okay. We are mad.

This report also showed there was only one stretcher in the arena. This is the Metropolitan Toronto Hockey League, the biggest one in Canada. They also stayed out of the Hockey Ontario Development Committee and were partially responsible for killing us, as the minister is aware.

While the first stretcher was in use taking one kid to the hospital, a second child was hurt. Do you know what they did? They picked him up and

carried him off the ice without a stretcher because they had to keep the game going. It did not matter about the kid; they had to keep the game going. Ultimately, they found another stretcher somewhere, but they had taken him off the ice. That says something about how we are training people.

I was questioned the other night on an open-line show. Somebody said, "Would you insist on all coaches being trained and certified?" I said, "I sure would." The announcer nearly went crazy. I said: "Would you let someone teach you driving who did not know how to drive or would you have teachers in the classroom who did not know how to teach. We are going to send people out to coach youngsters who do not know the first thing about coaching and we are going to send people out to referee who would remove an injured child from the ice." A trainer should have been there to say, "No way, you will not move that kid."

This is going on daily. The government keeps saying: "We cannot interfere; we do not have a right." You have a right and you have a responsibility. I get frustrated and so does a guy like Phil Vitale, who, after 17 years in Toronto with the MTHL, brought in some of the recommendations in our report.

High-calibre people helped with that report. They knew far more about the game than I did. Vern Buffey has 11 years as a referee in the National Hockey League. My good friend Maurice Regimbal help to found Hockey Canada. He has been in hockey for 40 years and has travelled the world over to see totally different philosophies of sports and hockey in other countries.

Maurice will tell you we do not know where we are going. He has a great vision of what we should be doing with young people. Phil and I exchanged a few words in 1979 when I was on this kick. They had introduced rules which were working but cancelled them all in two weeks; nobody has been able to find out why. One coach indicated four accidents might not have occurred had those rules remained in force. There is something wrong.

I have had two different types of responses. I have responses from literally dozens of parents who support me across the province and conveners of leagues have also had a say. I want to put a couple on the record because they will really make you feel—but I have the negatives also. I will tell you what the negative ones say.

Mr. Eakins: Who are the negative ones?

Mr. Martel: The odd individual. I am going to tell you what they say.

Mr. Eakins: Are any associations on the list.

Mr. Martel: No. Associations will not touch the report. They go after me personally and say I am using this to get re-elected. They say I am strictly using it as a re-election gimmick. I have reminded them that I have been here a couple of years without it.

Let me read this letter from a fellow in Sudbury. It says: "I do not know what you are trying to prove, all this so-called violence in minor hockey. To take body checking out of hockey is to destroy the game completely. As long as the kids do not use their sticks on one another, there is nothing wrong with a good body check."

9:30 p.m.

"My boy played in the playground juvenile league and the hockey was sometimes rough, but my boy never complained. The games were very rough at times and the kids love a good hard-checking game of hockey. This is not a sissy game. If some kids think it's too rough, all they have to do is quit and go and play with dolls."

"Are you seeking some publicity for yourself? I only hope the government stays out of hockey and lets the minor hockey associations run their own league. Here in Sudbury they are doing a super job and the quality of hockey is very good. Hockey is meant to be played by boys who can take it. If some kids use illegal checks, they are penalized by the officials, who do a great job. If body checking is taken out of hockey at the minor level, it will harm the kids later if they play at the higher level."

"I love hockey the way it is now and I only hope the government does not spend our money trying to take body checking out of minor hockey. If some kids can't take it, they can play golf or tennis. Or are these games too tough also? All you ever do is complain all the time anyway. Leave hockey the way it is." That is one.

Hon. Mr. Baetz: Good fan mail.

Mr. Martel: Oh, that is good fan mail. I have one letter that says, and get this: "If you do not want violence, keep it in the game of hockey." What he is saying is if you do not want violence on the street, let them kill each other in the arena.

I have one from Windsor. You will love this one.

"What on earth are you trying to do? I am writing this letter to express my views and the views of thousands of other hockey fans in hopes that you may keep your personal views to

yourself and not upset the greatest sport in the world.

"Your proposal to rid the game of violence is ludicrous. It is like making boxing a noncontact sport. Why do you think so many people love hockey? Do you realize how many fans would lose interest in hockey if violence was cut out of the sport? The fights and the roughness make it exciting."

"Fights in hockey are as much a part of the game as scoring. If you do not like it, watch golf. NHL players are tough; that is what we like in them. Stop trying to eliminate the element of sport that makes it so enjoyable. Go back to politics and leave sports alone."

That is an attitude that is prevalent and we have a job to change that bloody attitude. We have sat on our hands for almost 10 years. This first came in with McMurtry's study in 1973-74. It is now 1984. Conditions have not improved substantially.

We do things such as letting little kids of nine, 10 and 11 years of age play 105 games of hockey a year. That is more games than an NHL team plays, for crying out loud. That does not include the practices. We are nuts. Kids have time for nothing else. As a teacher, I resent it. That is one of the reasons I said to the minister that he has to include them all in the umbrella group he has created or from which he is attempting to get co-operation.

Most of those high schools probably have up to 24 or 30 games. We are putting kids in up to 105 games of hockey in a year at nine, 10, 11 and 12 years of age. We have got to be mad to allow it. I know it is interference, but what are we doing to the kids?

On the other side, I have literally dozens of letters. Here is one from a 70-year-old gentleman. He says: "Look, I have been in this game for more years than you can believe. I am now 70 and most of my hockey was playing in Toronto and on various RCAF teams during the 1930s and 1940s. At that time, there were very few instances of spearing, charging, etc., and such offences were severely dealt with. I seem to recall that it was illegal to board another player unless the act took place no further than four feet from the board. I do not know what has happened."

"We have people talking about body checking. I have not seen a decent body check or a proper body check thrown in years. The game is faster. The kids are faster. When is the last time you saw a hip check or a shoulder check? We send kids out and say, 'Go out and get them.' Every check

involves the stick, whether it is a cross-check, a high stick, a slash. It is the stick, and we have a whole series of rules that say you cannot do these things. We give two-minute penalties and we carry kids off by the dozen."

I have one from another woman who has three boys. The very first year one of her boys is out of noncontact sport, she says: "I get sick. My stomach is sick for fear of what is going to happen to my oldest boy. It is kill or be killed. A survival game is what it should be called." There is another side and a responsibility.

I got a letter this weekend from a man who is a convener of a league in Sudbury. He said, "If you want to use my name do so." I am just going to quote a couple of extracts from his letter because he is a convener. He is writing to the chief interlocking convener for Chelmsford, Azilda, Dowling and Levack. He says:

"I am corresponding with you in this manner so as to make it an official statement so every person concerned will know my feelings on the type of hockey we are encountering. The first thing we have to understand is that this is minor hockey, not bush league, which this system is slowly turning into.

"I personally know of an incident which happened at the end of last season where one player literally attacked another with his stick. This year to date there have been two players removed from the game on a stretcher. Another player was so badly dazed he did not know where he was or what he was doing."

This is a convener of a bantam league. That is 14 and under. The incident I mentioned concerning the Metropolitan Toronto Hockey League, in which five boys on one team were injured this year, involved kids 14 and under. We talk about violence. Everybody is petrified when policemen are shot, as I am. I abhor the whole thing. One cannot countenance violence all over the place and expect it not to show up somewhere else. That is why we wrote the type of report we did. We dealt with violence very quickly. We said there have to be only about six or seven rule changes.

Before I get to that, one thing we want the Ministry of Tourism and Recreation to do is to fund a hockey institute, so that the body of information worldwide would come there and be accessible to everyone. If people were in a snit because they did not like the Hockey Ontario Development Committee or the MTHL or this or that, they could go there and get this material. That coincides with the one umbrella group.

I know the minister has moved on the umbrella group, but it leaves out half the people involved in hockey. I will show you what it leaves out. Under the Hockey Ontario Development Committee, the MTHL was not in, but will be in the new group. Colleges and universities, the Ontario Secondary School Teachers' Federation, the municipal recreation associations, non-CHA affiliates such as Scarborough Hockey with 10,000 boys, church leagues, industrial and commercial leagues and the Canadian Oldtimers' Hockey Association are all out.

It is interesting to note one commercial league in Toronto has adopted all our rules this year, such as the seven-minute penalty for hitting from behind. These people are working with me. Do you know what their opinion is? These are all workers and they cannot afford to get hurt because they have to go to their jobs the next day. They need their incomes.

9:40 p.m.

They are capable of taking the next step. They ask, "What is the difference between workers and young boys?" They introduced seven minutes for hitting from the rear because then nobody is going to get hurt. If somebody gets too orangutan, they say, "Take your marbles and go home."

I was on a phone-in show the other night in London. A young man phoned me and said: "I went to watch a hockey game with a friend of mine who is a coach. At the end of the second period"—and it was bantam again—"the score was 6-2. At the end of the game he said to me, 'We did not win that game but we sure beat the hell out of them, didn't we,' because the third period was total mayhem?"

This young man said to me: "I was embarrassed for my friend who is a coach. I was totally embarrassed that he, as someone who is involved with kids, would use that approach." Send them out to hammer physically; intimidation is a whole new aspect of the game. If you cannot win with skill and speed, intimidate them. It comes directly from the Philadelphia Flyers.

I really am amazed. What we suggested was about seven rule changes. One is, as in basketball, after you get so many penalties, you are out of the game. Basketball does it; four fouls and you are gone. We recommend three penalties and you are out of the game. It does not matter what combination of three penalties; you are gone.

We talked about fighting. He said that is happening. They have a fighting rule that says you cannot fight. A five-minute major and you are out of the game, so they give a double minor

and they get around it. They give two minor penalties for fighting, not a major because with a major penalty you are gone. That is crazy.

We also saw body checking. The ones I am mentioning are all these kids in that transitional year from no bodily contact to bodily contact. That is where a great majority of the injuries are occurring. We are saying there should be a year in which they teach body checking, how to give it and how to avoid it.

The trouble is too many of the coaches do not know how and they simply say to the kids, "Go out and hit them." They do not know how themselves and they want little kids to do it.

Dr. Tator, whom my friend knows, told me when he appeared before the committee: "I used to think the bones were not strong enough yet. No, the muscles have not developed yet in a 12- or 13-year-old." He is only a neurosurgeon; he does not know. He said, "The muscles are not developed enough for children to take the impact."

Mr. Eakins: May I ask you a question?

Mr. Martel: Yes.

Mr. Eakins: Is it your feeling that this is in effect in other countries, just as a comparison?

Mr. Martel: They are having problems all over, but certainly in Europe there is not as much of it.

Mr. Eakins: I am thinking of international hockey which I enjoy. Is it much different? I am wondering what you are advocating here and I have a lot of sympathy for it. Is this in effect in other countries or are we worse off?

Mr. Martel: I think we are worse off here and the United States. The game cannot be sold in the United States unless they feed the gladiators to the lions. They have not been able to sell it as the greatest game on earth with speed and skill. Violence is required.

In Europe they do some stick work; I am not going to say they do not. Most of it is below the knees. I think some of it is because of retaliation. Here, we use the body; we hammer in the corners and so on.

What I am trying to say is that any use of the stick as a weapon has to be curbed. I happen to believe we need a committee, and the minister has indicated he is prepared to name one, to develop the material. I am hoping he will put people such as Buffey and Maurice Regimbal back on it, so that we can get at the coaching.

As an old teacher, I happen to believe you get from children what you ask of them. When you say no, most children will adhere to it. That is

where the role of the referee comes in, with the residue of the kids who do not listen to anyone.

When my fellow teachers and I were teaching, we got primarily what we demanded of kids. That is where we have to strengthen it; but we have to teach the coaches. It has to become mandatory for them to take a course. You do not send someone out to teach without it.

Let me tell you what my good friend Father Cullen says. The best description I got throughout the whole thing was from a priest from Windsor who, I am told, has the best high school hockey team and the best-disciplined hockey team in high school hockey in Ontario.

Father Cullen said: "Hockey is a game, not a war. Success at all costs is not necessary. It should be a game of skill, not of physical confrontation. The emphasis should be on the movement of the puck, not the crashing of bodies. We must praise the players' skill in skating, passing, stickhandling and shooting, not the player who can eliminate these skills by interference, charging, holding or hooking. When the player starts chasing the man instead of the puck, he is on the wrong path."

When I read Father Cullen's letter I thought to myself, "Boy, you have put it all in one paragraph, in a perspective that we should be teaching all coaches." They should be forced to take that sort of training, not extensive training but training, because many of them are dads who come out and want to do a good job.

Part of the problem, of course, is when the new dad comes out, if some bully is allowed to get away with it, he has to tell his kids to protect themselves. What we have to do is get at those coaches who are not concerned, who think winning at any cost is the answer. That is why we need a technical committee. I agree totally with the minister. I am saying the people he puts on that committee are going to play a major role.

I do not want to belabour it. I could speak for hours on it. The other thing I would like to say to the minister, though, is that I have a concern. He is going to appoint a sports board and I commend him for that. But what I worry about—and I know it is going to happen; I know the attitude, that is why I started out where I started—they do not recognize it as a problem.

If it is not mandatory by legislation for them to submit to this hockey board, which as you indicate will have doctors on it and so on, to analyse and to determine how many injuries are purely accidental. It is played in a confined place on skates, at high speed, with hockey sticks and there are going to be accidents, I understand that.

But to do a proper analysis of how many injuries occur because of violence is going to require reports of all accidents to be submitted to your sports board.

They are not going to do it voluntarily. You might think they are, but just look at the history of what has transpired and then look at the labour legislation, if I might just revert to a hat I wore previously when doing some occupational health work. When your colleague, the Minister of Labour, brought in the lead regulations under the Occupational Health and Safety Act in 1981, the lead regulations said you had to have a lead assessment done within your operation by a certain period of time. That was by legislation and regulation.

There was a case I raised in the House. We went at it back and forth and finally the Minister of Labour closed down a little company called Wilco Canada Inc. in London. For 18 months they said they could not get a doctor to do the lead assessment. It was funny that Mr. Ramsay closed them down on Friday afternoon and by Monday morning they had found a doctor. Is that not amazing? Happy days are here again. It took them exactly 36 hours after they were closed to find a doctor to do the lead assessment, after an 18-month delay.

The Minister of Labour will tell you, and I would ask you to talk to him, that half the companies had not bothered to do the lead assessment. After that case, they started.

I am asking the minister to start from square one. Let us not play around. There should be a compulsion by law on them to report in detail all accidents involving every child and every youngster who is no longer a child, a teenager, who is hurt. That is the only way—if Firth is going to be involved and the medical people—that they are going to be able to analyse it.

Do you think you and I would have known of the case where the five boys were hurt? You know the letter went to Gardiner; I know the letter went to Gardiner. Do you think he would have sent that to us on his own, with five youngsters injured, two broken collarbones? If you do, as I said in the House, you believe in the tooth fairy. I do not happen to.

9:50 p.m.

You see, they have had an opportunity. They have had 10 years to respond positively. As late as two weeks ago Brent Ladds was saying, "We do not recognize there is a problem with violence in hockey."

I do not want to dominate this, but I could speak for hours about what we discovered. I went

to Montreal to meet Dr. Niron and his staff. Yes, it cost them \$2.2 million, but they are going to reduce the number of accidents in that province. They know, scientifically, where some of them are happening.

Although we have put forth a limited effort, we know many accidents occur in the third period because kids are not in shape. Statistics show an overwhelming propensity for accidents to occur in the third period. That is why I am advocating, as we suggested in our report, improvement in the quality of trainers. In Europe, to answer my friend's question, they do a lot of off-ice training. With off-ice training they have reduced the number of accidents.

Accidents also occur at the beginning of the season, which indicates players are not in shape. They also occur at the end of the season because either they want to win, the play is overly aggressive, or maybe youngsters are overtired when they play 105 games.

In one tournament alone, Niron and his staff counted 142 accidents. There were 2,300 boys of all ages involved. Of those accidents, one third were acts of violence. They had researchers there; they were watching it. In half of those injury cases, someone was not even penalized, yet the kids were injured.

The minister is going to have to put money into it because Quebec can determine, and we could determine, where accidents are occurring. I know the minister has said, "We are not prepared to spend that kind of money." With that type of board I suspect the minister would save the province \$10 million, \$15 million or \$20 million a year just in accidents.

They have embarked on an educational program which will go into the schools. I can bring the minister the posters. They have university people in physical education looking at all aspects of sports. They can tell you how many accidents resulting in quadriplegia occurred last year and how many occur each year. In cross-country skiing, for example, they can tell you how many people had heart attacks and injuries simply because they knew nothing about the sport. They attribute it to total ignorance but think they can educate those people.

I have digressed from hockey but, as I say, those are the results of analysing one tournament alone. That is what we have to do. The minister wants an appropriate analysis from this sports board.

I just want to sum up. As I say, I do not want to dominate the time of the committee.

Mr. Eakins: I guess you are winding up now.

Mr. Martel: I am on the last two sentences.

Mr. Eakins: I want to make a comment also.

Mr. Martel: I hope the minister will bring in legislation to force hockey people to submit all accident reports in full detail, and all major misconduct and game misconduct penalties. If we want to get at the bad actors in the game that is what we are going to have to do. We also have to train coaches, referees and trainers to do the job. Otherwise, 10 years from now, we will be back here screaming the same thing.

Mr. Eakins: I know my colleague may want to ask something, but I want to add a comment before the minister replies. I have a great deal of sympathy for what my friend has said here. There is one thing that comes to my mind and the minister might be able to respond to it. Why is violence allowed on the ice when the same thing would not be allowed on the streets of the communities across the province?

This is one thing that impresses me. In the name of sport these things seem to be able to happen on the ice. They happen in other games too perhaps, but we are speaking of hockey at this time. Why is this allowed to carry on while, if the same thing happened out on the street, there would be police cars all over the place? That is the one question that comes out of the whole thing as far as I am concerned.

I wonder what is your answer to that, as the sports minister. I know it will tie into the answer you give to my colleague here, but, from my point of view, that is one thing that stands out in my mind.

Hon. Mr. Baetz: That is a very valid question. I could respond for a very long time on the observations made by Mr. Martel and the question raised by Mr. Eakins, but I sense that the members of the committee might want to go on to other items on the estimates.

Mr. Martel and I have discussed this whole issue of hockey violence and accidents over quite a few years now. We have discussed it personally, we have discussed it across the floor in the House, we have discussed it in estimates. As he knows, my staff and I certainly share many of the concerns he has expressed here. We have no argument at all with the points of view he has presented. He knows the steps we have taken in the past several years to intervene, to help the hockey world rid itself of some of these unfortunate situations.

Tomorrow I will be announcing my appointee to the new hockey development group, and I am

convinced that Mr. Martel will applaud the appointment.

Mr. Martel: Is this the same man we talked about?

Hon. Mr. Baetz: It could be, yes. He is not a rubber stamp, he is—

Mr. Martel: The NDP slogan is Tomorrow is the Day.

Hon. Mr. Baetz: You will have to wait until tomorrow.

Mr. Martel: I will not be here tomorrow.

Hon. Mr. Baetz: You can second-guess me up in Sudbury then.

Mr. Martel: You just tell me if it is the same man and I guarantee I will not try to pre-empt you.

Hon. Mr. Baetz: You will love the person. That committee is going to have to do some of the things you have been talking about—improving coaching, refereeing, etc.

Over and beyond that, we are pressing ahead, and I expect to make another announcement on a safety board in a week, 10 days or two weeks. Even though we may not go as far as Mr. Martel may want us to go, I think that when we present that to him and to the public he will see that too will have some teeth in it. It is going to be at least a big step forward in dealing with this very serious question of injuries, not only in hockey but in sports generally.

As I say, Mr. Chairman, I could be tempted to go on and on and on, but I know you and the members of your committee want to deal with other things. I certainly can only welcome the statement tonight and the steps that Mr. Martel has taken over the past many years on this issue, which is a concern we share with him.

Your question is a real one, but I think it will be covered when we—

Mr. Eakins: I will be here tomorrow morning. I will phone Mr. Martel.

Mr. Martel: Is that right, that we will have to wait and judge it tomorrow?

Hon. Mr. Baetz: That is right. You can judge it from Sudbury.

Mr. G. I. Miller: I have listened with interest to the debate that has taken place and I think there is some merit to what has been said.

My concerns are in regard to funding. The first question I would like to ask is: do the community centres grants come under your ministry?

Hon. Mr. Baetz: Community recreation centres? Yes, they do indeed.

10 p.m.

Mr. G. I. Miller: I am sure you are well aware they are trying to construct a new arena in Port Dover. I believe you have had a meeting with Dr. Bradley, our Member of Parliament. The community is going ahead with the collection of funds to match any money put up by Ontario and that plan is under way at present.

There seems to be some indication that the Wintario capital grants program and the community recreation centres grants program are more or less in limbo at the moment. Not only Port Dover, but probably many municipalities in Ontario that are moving ahead with trying to improve their facilities, are left a bit out on a limb with respect to knowing exactly what they can expect in financial support from the ministry.

Is the minister now in a position to indicate what percentage and what funds might be available for a project of this type?

Hon. Mr. Baetz: The state of Wintario capital grants is not really in limbo; that suggests it is sort of hanging out there with no plans for the future. It is true the Wintario capital grants program is at present nonoperative, but we have every reason to believe it will be opened again in the very near future.

We are now looking at the criteria for the new program, but I suspect it would include facilities like the Port Dover arena. I would be the most surprised person in the world if suddenly such a facility was not included in any future Wintario capital grants program.

As I say, we hope we can announce a new program in the not-too-distant future. I also indicated to Dr. Bradley and the other members of the delegation from Port Dover that I am very optimistic. Had I not been, and had I nothing on which to base my optimism, I would have been very realistic and said, "You had better obtain money from elsewhere; you are not going to get it from Wintario."

I really think we are going to be able to help Port Dover. We know that the arena is very old, it is 40 or 50 years old.

Mr. G. I. Miller: Probably 50.

Hon. Mr. Baetz: It is in danger of being closed by the Ministry of Labour inspectors. I would say to the people of Port Dover that, under any new Wintario capital grants program, they should feel very optimistic, as I do, that they will be getting assistance.

Mr. G. I. Miller: What have the percentages been in the past for community centres grants?

Hon. Mr. Baetz: We are talking again of Wintario capital and that is a third, up to a maximum of \$1.5 million.

Mr. G. I. Miller: What percentage is the community recreation centres grant?

Hon. Mr. Baetz: In the past, that has been much smaller.

Mr. G. I. Miller: Would it be 25 per cent?

Hon. Mr. Baetz: To \$75,000 maximum.

Mr. G. I. Miller: Maximum \$75,000?

Hon. Mr. Baetz: Yes, but the Wintario capital is one third up to a maximum of \$1.5 million.

Mr. G. I. Miller: And 25 per cent under the recreation centres grant?

Hon. Mr. Baetz: I would not say that in the future if you get a Wintario grant you are going to get also a capital grant under the Community Recreation Centres Act. It may not be possible. I am not as optimistic about that as I am about the opening up of a new Wintario program.

Mr. G. I. Miller: Is there funding in the community recreation centres program now?

Hon. Mr. Baetz: The whole business of capital grants, whether under CRCA or Wintario, because obviously these are fairly closely related, is now under very active study by my ministry.

Mr. Eakins: When do you expect a report?

Hon. Mr. Baetz: I would hope to get a report in the next six weeks to two months. It is not going to be six years away or two years or one year.

Mr. Stokes: You are saving it for the dome.

Hon. Mr. Baetz: No, it has nothing to do with the dome at all.

Mr. G. I. Miller: It has irked me a little that we can provide \$10 million to Ontario Place to upgrade their facilities; they know exactly where they are going. Yet small municipalities in Ontario that are struggling to provide reasonably good facilities for their young people and for the community are left in limbo.

I know an election was suspected—which could have happened back in October—but has been postponed. It seems to me that maybe you are playing a little politics with our money. It irks me that there is no clear-cut percentage, so municipalities can make their plans and move ahead.

I think I have discussed with you before, the grants for other projects going back as far as 1982. Two have been approved, but the money

has not been forthcoming to provide more or less minor improvements like an extra set of lights, or other improvements to existing facilities like arenas and playgrounds for small municipalities.

I would like to report back to you the feeling that has been expressed to me. Wintario and these various lottery programs in the province are taking money out of every municipality. It makes it very difficult for them to run their own lotteries and provide their own funds. It appears the money is being held back for special occasions, like an election campaign, so you can make an announcement.

I know how the political game is played but I think, in all fairness to our smaller municipalities, we should have a clear-cut plan so they can make their own plans. The money is either available or it is not available. Those older obligations should be adhered to so they can continue with the improvement of their existing facilities.

Hon. Mr. Baetz: As I said, the entire capital grants program is under very active review. It is not something that is on the back burner. It is a top priority for my ministry and for my staff at the present time to take a look at what the top priority should be and how Wintario capital fits into that and how CRCA fits into it; because, as you know, in the last seven, eight or 10 years we have spent enormous amounts of money on capital equipment or capital stock in this province for recreational facilities.

When I say that, I am not saying that the chances are we are going to suspend it—that we have done enough. I do not feel that way at all. I especially do not feel that way about something like your Port Dover arena. Where that need is indicated, and when the new program opens up, I would think something like the Port Dover arena would be very high on the priority list. Otherwise, I would square with you and say, “Do not count on that; you will have to look elsewhere.” I really feel very optimistic about it.

The staff is now pulling together the data, analysing it, and we are going to try to set our priorities as quickly as possible. I hope, in the not-too-distant future, to be able to announce a new capital grants program which looks at Wintario capital as well as CRCA capital.

Mr. G. I. Miller: Do you have a date established?

10:10 p.m.

Hon. Mr. Baetz: It is imminent. It is not going to be in two years, it is not going to be in one year, it is not even going to be in six months.

Interjections.

Hon. Mr. Baetz: I think it is going to be in the very near future. It has nothing to do with elections or anything else, as you suggested, and we are not holding it for the dome or anything we have done with Ontario Place or anything else. That has nothing whatever—

Mr. G. I. Miller: May I ask one further question? How much money is in the Wintario fund? Do you have accounting on that?

Hon. Mr. Baetz: The Wintario fund is pretty well even—Steven. We are committing it about as much as—

Mr. G. I. Miller: Do you have an exact figure?

Hon. Mr. Baetz: I do not have an exact figure, but I can tell you there are no vast sums sitting in the Wintario fund. That is why we want to get on with the job now.

Mr. G. I. Miller: How much has been approved and has not been paid up to this time?

Hon. Mr. Baetz: From Wintario?

Mr. G. I. Miller: Yes.

Hon. Mr. Baetz: During the present year we have in our budget, as you have noted here, some \$15 million that is going out. That pretty well meets the current needs. As projects become completed, and requests are made, we have been able to move the cheques out and meet the present needs. As you recall, a few months ago I announced another \$25 million of new commitments that are going to start flowing on April 1.

Mr. G. I. Miller: Of 1985?

Hon. Mr. Baetz: Of 1985. That is \$25 million in new commitments. We are now working on a program and I am living in great hope and optimism that we will be able to announce that program and I am sure your Port Dover arena would meet the criteria.

Mr. G. I. Miller: At present then you do not have a figure on what is uncommitted from, say 1982 to 1984?

Hon. Mr. Baetz: It could be something like \$27 million. That really has very little to do with the Port Dover arena.

Mr. G. I. Miller: I understand that. What I am suggesting is that the old applications have been approved and have not received their funding.

Hon. Mr. Baetz: That is right. You are talking about Wintario now?

Mr. G. I. Miller: That is Wintario, capital grants.

Hon. Mr. Baetz: Until now we have been able to meet the requests as they come in. Some projects take longer to develop.

Mr. G. I. Miller: Are you taking applications now?

Hon. Mr. Baetz: No, not from Wintario. Our staff is actively working on a new plan to deal with capital grants for the future.

Mr. Eakins: There should be a pretty good pot built up, then, to start on.

Hon. Mr. Baetz: We still have \$25 million that we announced two weeks ago. That has to be—

Mr. Eakins: This will not all be used for the dome, then. They will come up with something else.

Hon. Mr. Baetz: If ever a dime of lottery money is going to go in the dome, I do not think it has anything to do with the grants that are going to go to the hundreds and hundreds of small communities across this province.

Interjections.

Hon. Mr. Baetz: I am sure that is not going to happen because, as Mr. Eakins and others have indicated, the very strength of the Wintario program has been the fact that it has been spread out all over the province, especially to small communities. I do not see any change in that whatever.

Mr. G. I. Miller: Thank you, I think that is all.

Mr. Chairman: Okay, Mr. Miller. I suppose we will be hearing bells in a moment, but Mr. Stokes has his name on the list, as has Mr. Newman. So, Mr. Stokes, you are next.

Mr. Stokes: Very briefly—I know Mr. Martel took more time than one would have expected, and I raised this last year and I do not want to rehash the whole thing—I would like to discuss a point on tourism in the far north. I have raised on numerous occasions the point where the native people, some of them very unsophisticated, have something that is not sponsored by the band but is a request from an individual band member who knows how to fish, who knows how to guide and who knows how to hunt.

We did get one grant for a fellow who established a fishing and a goose hunting camp up on Fort Severn. I asked about it the day before yesterday when I was talking to the band administrator up there and he said it worked well. He got 15 parties and they are really excited. The people who were there—they were mostly Americans—have gone back and they are going to

advertise for them. It just shows you what can be done with a very modest undertaking under, I believe, the northern Ontario rural development agreement before it ran out.

Hon. Mr. Baetz: It is now the northern Ontario regional economic development program.

Mr. Stokes: NORDA is now NORED, but the emphasis has changed in NORED and we will get into that at a later time.

You have a Mr. Adamchick who popped up during your reorganization. I do not suppose he is here in the room tonight?

Hon. Mr. Baetz: No, he is not here tonight.

Mr. Stokes: Would it be possible to get someone from his staff to sit down with a representative group of first citizens from the far north, first of all to indicate where it is they want to go, because you do not want to be leading them around by the nose? Could we set up a meeting with Mr. Adamchick and his staff and a representative group of native people to help them wade through the bureaucracy and the red tape, first of all in getting a land use permit or a licence of occupation for first citizens to set up an outpost camp, primarily for fishing but in some instances for hunting?

Wherever I go up there you get these people with ideas who would like, so to speak, to paddle their own canoe. The resources are there for them to do it. The degree of sophistication in dealing with government or in funding these things is very seldom present.

I am wondering, would it be possible for you to give that undertaking, because there is a tremendous potential for that type of thing up in the far north where you do not have the conflicts you have in more accessible places from other resources-extractive activities? The field is wide open for them and the sooner we can get those people off some form of social assistance, the better it will be for them and the better it will be for us. Would it be possible for you to undertake to do that kind of thing?

Hon. Mr. Baetz: Yes. I would think it certainly is possible.

As I said, Mr. Chairman, Mr. Adamchick is not here tonight but Peter Sharpe, who is the director of our field operations, is here. I am sure Peter would want to confirm my promise to Mr. Stokes that Mr. Adamchick will be meeting with these people. Mr. Chairman, if you like—

Mr. Chairman: I think we have a problem. The bells are ringing and so I think we will have

to adjourn the meeting until Tuesday night at 8 p.m.

Hon. Mr. Baetz: Peter was saved by the bell.

Mr. Chairman: You might say that, yes.

Mr. Stokes: How much time do we have left?

Mr. Chairman: About two and a half hours.

Mr. Stokes: We quit a little early yesterday and we are quitting a little early this evening, so perhaps because people like Mr. Newman have not had an opportunity to get in, could you give

us some assurance that we would have the full two and a half hours Tuesday night?

Mr. Chairman: No, I cannot. It is subject to—

Mr. Stokes: I mean barring anything beyond your control.

Mr. Chairman: If everyone will try to be here, at least we can get the meeting opened right at 8 p.m. I think we should be able to get two and a half hours in. Adjourned until 8 p.m. Tuesday.

The committee adjourned at 10:20 p.m.

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No. R-37

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development

Estimates, Ministry of Tourism and Recreation



Fourth Session, 32nd Parliament

Tuesday, November 20, 1984

Speaker: Honourable John M. Turner

Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, November 20, 1984

The committee met at 8:10 p.m. in room 151.

ESTIMATES, MINISTRY OF TOURISM AND RECREATION (continued)

Mr. Chairman: Committee members, ladies and gentlemen, I recognize a quorum. We will get our meeting under way for this evening.

I believe the minister has a response to questions raised by Mr. Reed. Perhaps we could deal with that quickly. We have officials here from the various attractions and parks programs whom we should deal with. This was billed as their special night. We have not taken any votes. We have been wandering back and forth.

Let us deal, if we can, with Mr. Reed's concerns first.

Hon. Mr. Baetz: Mr. Chairman, thank you. After we have dealt with this first issue, I would like to introduce to you and the members of your committee some of the senior people who are here from the various attractions. If you or the committee members wish to direct some questions to them, I am sure they would be pleased to answer.

Last week the member for Halton-Burlington (Mr. Reed) asked a question regarding the sport governing bodies that have been supported by my ministry. The question was really generated by Mr. Reed's present negotiations with Canoe Ontario. Mr. Reed requested copies of financial statements of Canoe Ontario as well as my ministry's policy regarding the use and the purposes of the grants.

It is my recollection Mr. Reed stated that the client Canoe Ontario is utilizing government funds to launch legal actions against the government. I have looked into this very carefully and I am now in a position to state this is really not the case. Canoe Ontario is not, in fact, using government funds to further its case.

Furthermore, we do not think Canoe Ontario has ever used our funds for purposes other than those for which they were granted, which was to carry out their ongoing operations. In this context, I am prepared to live up to the undertaking I gave to Mr. Reed, regarding our policies with respect to the use of government grants.

Regarding the request for a copy of Canoe Ontario's current financial statement, I think this will come as no big surprise; it has not been our practice to turn over documents received from clients to the public. However, in this case I have arranged for the client itself, Canoe Ontario, to forward a copy of its full financial statement and any other relevant documents the member wishes sent to him, and to do so in the next two days. I have every confidence that Canoe Ontario will comply with this request, as they have done everything else we have asked them to do about this situation.

I might also add that Canoe Ontario wants to co-operate with any interested person and, in particular, Mr. Reed, in an effort to create a positive image for its sport. We are prepared to take the steps I have outlined here and that is all I can say at this moment.

Mr. Chairman: I am sure you are satisfied with that, Mr. Reed, but perhaps you would like to make a point or two.

Mr. Reed: I am certainly satisfied with being able to obtain the annual report and, as the minister said, any other pertinent documents that might be necessary.

I would like, and I do not want to commandeer any more time than is necessary tonight, to ask the minister what explanation he can give for saying that government funds are not being used to sue the government. Does that mean Canoe Ontario is not going to proceed with the law suit?

These funds are quite substantial. They include grants in 1983-84 to governing bodies, \$98,112; Wintario program grants, \$93,387; Wintario assistance to competitors, \$122,000; athlete assistance, \$6,703; and regional development, \$4,000. That is close to \$300,000. My arithmetic is not that hot.

If a law suit is going to proceed, I think it is only fair to ask the minister how it can be stated, in any sort of reasoning, that funding will not be used. If there is an outside source of funding that comes from membership fees or whatever, that simply means that these grants displace that in terms of the operation of an organization. Therefore, in this case there is no wheat to separate from chaff; it is all dollars.

Hon. Mr. Baetz: Mr. Chairman, with your permission I would like once again to call on Mr.

Halstead to appear before the committee. While he is coming forward, I would like to say that the funds my ministry provides to Canoe Ontario are for their ongoing operations; they are not designated and will not be used for proceedings and litigation against individual citizens.

Mr. Reed: With respect, I know what you are attempting to establish here. All I am pointing out is that money received from the government, while in this instance it may be earmarked, is simply displacing money that would come from some other source if the government money was not available. Therefore, the one cannot be separated from the other. That is the basis of my contention.

Nobody is arguing that you are not earmarking the money or saying, "Go out and spend it any way you want." That is not true. However, if you have got, say, \$300,000 coming from the government to one organization and they pick up another \$75,000 from the membership fees, that is \$375,000. The money from those other sources does not need to be earmarked and therefore it can be assumed that the money from the government is displacing what would otherwise be used for those programs.

Hon. Mr. Baetz: On this question of displacing funds apparently to use some to help finance litigation against a certain individual, I have been told by Canoe Ontario that is not the case. They have told us they are prepared to turn over to me, and certainly I will be ready to turn over to Mr. Reed, the financial statements to reassure him that our grant—the funds coming from the province—are not to be used for litigation.

Mr. Reed: Your message is loud and clear and I understand what you are saying, but I wonder what a judge will say about the assembly of money when we do go to trial.

Hon. Mr. Baetz: I would think that maybe we should ask Mr. Halstead to reply.

8:20 p.m.

Mr. Halstead: Mr. Chairman, we have ascertained that the cost of legal fees for the item the member is addressing is being donated to Canoe Ontario. In fact, a member of the board who happens to be a professional in that field is providing that service. There is no cost to the organization; it is not replacing or utilizing funds provided by the government to carry out what he says that organization is carrying out.

Mr. Reed: Are those funds going in trust, or are they going into general revenue?

Mr. Halstead: No. The funds are being utilized for the specific purposes for which they

were granted. We can demonstrate that the projects for which the group requested funds are what the funds are being used for.

Mr. Reed: The funding is being donated by one individual, one philanthropist?

Mr. Halstead: The time, the work of that lawyer, who happens to be a member of the board, is being donated free to the organization.

Mr. Reed: I wonder how the judge is going to view that.

Mr. Halstead: That is a matter for the judge to decide. I am simply stating the fact.

Mr. Reed: This is most enlightening and I will look forward to receiving those documents. I still have a supplementary that is probably worth asking. Do you consider this action is inappropriate on the part of a director of one of these bodies?

Mr. Chairman: That probably should go to the minister.

Mr. Reed: Okay, I do not know. Mr. Halstead is equipped to answer a great deal here. These people are certainly using the financial umbrella of the ministry and the incorporation that puts them under the aegis of the ministry in order to undertake their quest to do this test case. It is a very profound test case. It will have repercussions for literally thousands of property owners across Ontario. Anybody with a watercourse will be subjected to the decision of the judge sooner or later.

Obviously, the purposes of Canoe Ontario are not just the sport of canoeing. That group has set itself up on a quest to force open these non-navigable rivers. We know enough now that the pretext under which they will operate is a decision loosely called the Coleman case on Bronte Creek. The judge in that case said the test rules for navigability should be changed. I will not go farther into it because I want it tried in court, not here.

What if every one of the organizations under that umbrella set out on its own little legal quest to uproot both the statutes of this province and the various ministries and citizens? I happen to be an example of a citizen who is kind of unusual. It is a small club right here, but I do represent literally thousands of land owners who are exactly in my position.

Hon. Mr. Baetz: Mr. Chairman, I am sure you and Mr. Reed appreciate that I am not going to become involved in the merits and demerits, the pros and cons, of this case. I will not comment on whether it might apply to other sports governing bodies with respect to the uses

of lands and waters that they might feel are their own or belong to somebody else. That is a matter for the courts to determine. The main thing here is that we have undertaken to provide to Mr. Reed the annual financial statements of Canoe Ontario. He and Canoe Ontario will have to take it from there.

Mr. Reed: And the Attorney General (Mr. McMurtry).

Hon. Mr. Baetz: And the Attorney General, that is right. Our relationship to Canoe Ontario, as it is to 72 or 74 or 76 other sports governing bodies in this province, is an arm's length relationship. We do provide these people with some modest funding to carry on their annual operations, as we should, and we take it from there.

We want to co-operate with Mr. Reed, as we would with anybody else in a similar situation. Even if you were not a member of the provincial Legislature, we would want to provide you with this kind of information. I am not getting into the pros and cons—

Mr. Eakins: What you are suggesting is that Mr. Reed should go paddle his own canoe.

Hon. Mr. Baetz: Mr. Eakins has stated it better than I ever could have. Yes, exactly, you and Canoe Ontario.

Mr. Chairman: Mr. Reed, are you satisfied you will get the annual report?

Mr. Reed: Yes, I am, Mr. Chairman. I thank the minister for that one small step for mankind, as my colleague has said. I appreciate the comments of Mr. Halstead. I think they will be very useful.

Mr. Chairman: Thank you, Mr. Reed. Would the minister now like to introduce the people from the parks and attractions area who are here this evening so that members can perhaps ask questions of them?

Hon. Mr. Baetz: The other night we promised we would have on tap tonight the senior people for our parks and attractions. They are here. If you or your committee wish to raise questions or ask for their comment, they are here.

The first person is Ms. Virginia Cooper. She is the newly appointed general manager of Ontario Place Corp., an outstanding person. Mr. Fred Boyer, president and chief executive officer of Minaki Lodge Resort Ltd., is here. John Maxwell, president and chief executive officer of the Metropolitan Toronto Convention Centre Corp. is here.

Mr. Stokes: Why do you not introduce them? Nobody will introduce that old codger over there for you.

Hon. Mr. Baetz: Virginia Cooper, would you please stand so Mr. Stokes can address his questions to you in the fullness of time? Is Bob Cook here? No. He is coming. I am sure Mr. Stokes does not need an introduction to Fred Boyer. John Maxwell is here. Is Mrs. Kathy Petrik here? There she is, yes. She is from the Ontario Lottery Corp. I do not know whether Mel Swart is here tonight but Kathy is representing Mr. Norm Morris who is out of the country.

Mr. Stokes: He hands out ties. What do you hand out?

Hon. Mr. Baetz: Mr. Chairman, I am sure you and your committee probably want to raise questions tonight directed at these senior people from various parks and attractions.

Mr. Stokes: I am impressed with what you are attempting at Ontario Place. Your deputy provided me with the material unveiled the day you announced the first stage \$10.5 million-upgrading of the west island. It will enhance what we have in Ontario North Now.

8:30 p.m.

I have been asked by a group of people to comment on your statement and I said I would defer any comment until I had an opportunity to discuss with you what you propose. As far as I can see, if we can spend \$42 million on Minaki Lodge, we can spend \$10.5 million down at Ontario Place, and that is something, coming from a northerner—a step in the right direction. I think things were getting a bit stale down there. I was reluctant to send people down there for a second and third time because there was very little new to offer, but I see this as a breath of fresh air.

I am not competent to say whether we are going to get value for our dollars. I will have to leave that to people who are much more competent than I, but I would like you or the spokesperson for Ontario Place to tell me what you are going to do beyond this. This is the first stage of—is it a three-stage type of thing?

Hon. Mr. Baetz: Yes.

Mr. Stokes: Then could I have an overview? As I say, I am really impressed by what you are doing, although \$10.5 million is a significant amount of money and I am going to be asking for, I think, a lot less money than this for something much more impressive. You and I will have to have a talk about it privately later on. I want the benefit of your wisdom in this field, on how we approach the minister and his colleagues. You have a little waterfall and a ride. I have 3,000 square miles of water here.

Mr. Villeneuve: And no rye?

Mr. Stokes: I have 3,000 miles of water here and 580 miles of shoreline. I have only 10 tourist establishments. We are crying for diversification of our economic base. We have a thousand islands and I am told by the Ministry of Natural Resources we have about a thousand streams and rivers flowing in and out of this wonderful resource. We have not even begun to scratch the surface. I am going to be looking to people like yourself for ideas as to how we can get some economic spinoff from it.

But that is enough of that nonsense. I want you to tell me what you hope to do as a result of the \$10.5 million, the kinds of dollars and the increased number of visitors you expect to attract, and at least some idea about stages 2 and 3.

Ms. Cooper: I would be pleased to, Mr. Chairman. First of all, it is a five-stage project for which we have only received approval from the government to proceed with phase 1. Very briefly, in the five-phase project there is, obviously, what you know about in phase 1. Phase 2 is, in a sense, housekeeping measures: sprucing up our centre entrance and adding a bit of retailing and merchandising to it. As you remember, in phase 1 we are concentrating on our main entrance, which is the west entrance.

I hesitate to say it, but we have outgrown our administration building and are looking for a larger one. Phase 3 involves more revenue-producing elements, with an expansion of the children's village area and more children's merchandising in the children's village section of Ontario Place.

Phase 4 deals with moving the Haida basin and consolidating some of the water-related attractions around the Haida in a slightly different location from where they are now, improving some of the landscaping, cleaning up our maintenance compound and that sort of thing.

Phase 5 deals with rationalizing some of our restaurants in our eastern village on the east island, finalizing our landscaping and adding a bit of parking where we can find the land. That is about it.

Mr. Stokes: But there are a couple of restaurants in there, too.

Ms. Cooper: Yes.

Mr. Stokes: Maybe that is not part of this five-stage program. I do not think the minister mentioned it, but in another publication it said you were making provisions for two new restaurants. There was some indication that you

were going to accentuate a northern flavour in one of the restaurants. I want to know what you are going to do.

Are you going to serve fresh fish from the north or are you going to serve whitefish livers, pickerel cheeks and wild rice? Are you going to have pancake breakfasts using maple syrup from the Sault Ste. Marie area? What do you have in mind? We do not need any more northern hamburgers, that is what I am trying to say.

Ms. Cooper: We were very successful with buffalo burgers this summer in a northern-theme attraction on the west island called Musgrave Peaks.

Mr. Newman: Was it real buffalo?

Ms. Cooper: Yes. However, to answer Mr. Stokes's question, there are two major sit-down restaurants involved. Strictly speaking, they will not be new restaurants, they will be renovated. They will be up for lease in an open competition to get bids on who will be managing those concessions for us.

Part of our criteria in judging the successful winner will be how well they achieve a northern theme—mining, lumber camps, whatever—and what they propose by way of menus.

Mr. Stokes: You mean the decor rather than the bill of fare.

Ms. Cooper: No, both. They will be proposing menus and how well they adapt them to northern fare will be part of the selection process. I cannot tell you specifically what the menus will be yet but the whole development is to enhance the northern Ontario theme already there with the Ontario North Now pavilion.

Mr. Stokes: But after December 3, the minister will be able to tell you what you should have on your menu.

Ms. Cooper: Okay.

Mr. Newman: Do you control the prices?

Ms. Cooper: In the restaurants?

Mr. Newman: In the restaurants, yes.

Mr. Chairman: Mr. Newman, could you lean forward a little. I think Hansard is having problems picking you up. If you could lean forward for your questioning.

Ms. Cooper: We do not control them the way we control the rest of the prices on site—what we charge the public at the gates, for example—but there is a suggested range that our food services manager monitors.

Mr. Newman: I went down there for the Pope's visit. If I had to go a second time, I would have to take, not a wallet but maybe a pail as far

as the prices were concerned. They were absolutely out of line. You could go to McDonald's three times for the cost of going into that place and you are buying the same food. It was really out of line. I really think McDonald's did a better job than the people in the one restaurant I attended. I am not saying they are all like that; I can only speak for the one I actually visited and where I had to pay the bill. Thinking that I could get by on X amount of dollars I needed twice that.

Mr. Eakins: Ms. Cooper, how long have you been associated with Ontario Place?

Ms. Cooper: Two years.

Mr. Eakins: I am glad to see you have come up through the ranks and have an opportunity to head the corporation.

What about the projections of numbers with the additional funding that is going to be spent there? What market are you reaching for? Where are the people coming from in order to give it a fresh lift? How do you project numbers?

During the estimates, we were always given the impression that things were going great and then I read in the paper that the additional millions to upgrade Ontario Place was to deal with the flagging numbers. In other words, there was a decrease in attendance and this is what this is for. I wonder what your projections are in numbers of people and what market are you trying to reach.

Ms. Cooper: As with any summer season operation, our attendance is very largely dependent on the weather, quite aside from the particular entertainment or attractions we may be offering. This summer was not quite as good as last summer. That was part of the reason our attendance fell slightly. The other part was some problems across the street and their draw ability.

8:40 p.m.

However, generally speaking we feel that in order to continue to attract visitors to our park—since we first developed quite a number of other attractions have grown up in the Metro area—we have to be prepared to compete, quite frankly, and to offer something new to bring them back to Ontario Place, aside from what goes on in the Forum.

We had economic consultants associated with our planning for the five-year plan, of which phase I is now under way. One of the proven family attractions that draws over and over again, at similar parks and attractions throughout North America, is a water-based ride. We see this major water ride we are putting in as what chiefly

will draw people to Ontario Place. We are projecting it will bring in approximately 200,000 new visitors.

Mr. Eakins: The price of the ride is separate.

Ms. Cooper: Yes, it is.

Mr. Eakins: Do you see the entrance fee, which is now going to be increased 25 cents to \$4.25 for adults—

Ms. Cooper: It is presently at \$4.25.

Mr. Eakins: Do you see the cost of attending Ontario Place as eventually being too high for the average family? What I like about Ontario Place and why I support it, is that you can take the family and enjoy the day. Do you see it becoming more difficult, with the increase in cost?

Ms. Cooper: I do not think so. We have been keeping our prices at approximately a five per cent increase per year, if that. There have been some years, such as the year before last, in which we did not raise our gate prices at all. We have to do that because, unfortunately, inflation is still going up five per cent a year. There is no intent to make a major jump.

Mr. Eakins: Do you see the other attractions associated with the waterfront as helping Ontario Place?

I am thinking of the Metropolitan Toronto Convention Centre, which is going to bring an awful lot of people into that area, along with Roy Thomson Hall, the CN Tower and, of course, the harbourfront is developing. It is a beautiful waterfront—one of the most exciting developments you will find in any city in the world, really. I am wondering if you have considered what the convention centre and those places will mean to Ontario Place.

Ms. Cooper: Generally speaking, we support any development along the waterfront and view it as an asset to Ontario Place and to our potential draw of visitors and Metro residents alike.

Mr. G. I. Miller: By the way, are you going up to \$4.50 this year? Is that what you are saying?

Ms. Cooper: We are proposing that, but neither Ontario Place management nor its board of directors have final say. That is what we will be proposing for adults.

Mr. Eakins: Who do you recruit for employment?

Ms. Cooper: We have a very extensive recruitment process. Do you mean our summer students?

Mr. Eakins: Are they all Ontario young people? I am thinking of Minaki. A number of their young people—and we will come to that

later, Fred—come from Manitoba. Do you give preference to Ontario youth?

Ms. Cooper: Absolutely. If there are any nonOntario residents, it might be in the range of two to three per cent, if that.

Mr. Eakins: That is all I have on Ontario Place.

Mr. Chairman: Are there any other questions for Ms. Cooper while she is here? If not, thank you very much.

Hon. Mr. Baetz: Mr. Chairman, perhaps I might only add—and this is particularly for the member for Lake Nipigon (Mr. Stokes)—that you should keep in mind that the most important part of the first-phase development, which is the wilderness water ride, will be an integral part of Ontario North Now. It is really going to make it one of the major attractions of Ontario Place. It is going to remind people who have never been up to Nipigon that we have a fantastic—

Mr. Stokes: It will be a window into the north for \$10.5 million instead of the \$650 million it cost you for a window into the oil industry.

Hon. Mr. Baetz: It will be a window and a door into the north, and eventually it will serve to develop the Lake Nipigon proposals you have been making to this committee for quite a few years. We have to get you a new issue of that map because it is getting very torn.

Mr. Stokes: Listen, deputy minister; it is so old, the minister thinks I should frame it.

Hon. Mr. Baetz: Perhaps something has to happen about the map. It is becoming a little frayed.

Mr. Stokes: It came from Alex Wilson in Dryden. It is probably a collector's item.

Mr. Chairman: Who else would the committee members like to see?

Mr. Stokes: I would like first to get to the statement the minister made in the House this afternoon regarding the subsidiary agreement for tourism development. The Canadian Broadcasting Corp. called me and asked me to comment on it. I started out by saying we welcome any joint initiative by the federal and provincial governments. However, I did express some reservations and I am going to express them here.

The \$44-million program over a five-year period is about \$8.5 million a year. You are saying the majority of programs will be the establishment of new projects and the development of existing major, year-round, destination resorts and attractions. These are projects that attract Americans; other visitors will receive

particular attention. You are dedicating \$38 million of the \$44 million to that. Metropolitan Toronto is excluded from that.

If you look at the ability of literally every place north of the French River to attract tourists on a year-round basis, you might get a few for the ski areas or a little around Thunder Bay. However, I am wondering if areas that are not conducive to year-round operation will suffer. You have established fairly stringent guidelines for these new dollars when you say, "The development of existing, major, year-round destination resorts and attractions."

What are you and your federal counterpart hoping to do? It is going to be very difficult for someone in Kenora, Timmins or Kirkland Lake to tap these new-found dollars by qualifying under the very stringent criteria. You are spending \$38 million out of a total of \$44 million for existing, major, year-round destination resorts. This bothers me.

Hon. Mr. Baetz: As we look at this \$44-million federal-provincial agreement today, I think we have to see it as part of a broader constellation of financial agreements and programs this province has established for the tourism industry—mainly on its own.

As you indicated, it excludes Metropolitan Toronto for reasons I am sure the member for Lake Nipigon recognizes full well. But there are other programs. We have the northern Ontario regional economic development program, the tourism redevelopment incentive program and the grading assistance programs. A number of other new programs will help the various tourist developments.

Regarding the agreement today, we were ready to go for \$30 million and make it up to \$60 million, but the federal government was not. That is fine; we will accept the \$44 million. We think it will go a long way because it is going to be part grants, part loans and so on. However, I would expect this program really could assist some of the larger, year-round operations.

Mr. Stokes: Like what?

8:50 p.m.

Hon. Mr. Baetz: There is Searchmont in the area of Sault Ste. Marie. That could possibly develop; it depends on the private entrepreneur, but it is an example of something that could go year-round. The facilities are there for the summer season—we are all very much aware of that. In the winter, it could have skiing—cross-country skiing, alpine skiing and so on. That is the kind of thing.

We, as a government, are looking to the private entrepreneurs to say, "With this kind of public help, we think we can make it go year-round." That is what we need. I am using Sault Ste. Marie as one example. Who knows? We all know of the tremendous possibilities in the summer at Lake Nipigon. With enough infusion of public and private funds and with enough imagination, we could have a year-round facility there.

I think this is the kind of thing we are looking at with this new program. It is not there to help someone add 10 motel rooms to a 20-room facility. It is there to develop attractions and resorts. I think it is exactly the kind of thing the north badly needs.

It does not matter whether it is in Lake Nipigon, Sault Ste. Marie, Thunder Bay or Haliburton. In fact, on Haliburton, I could be very specific about some real possibilities up in that part of the world, where there has been a first-rate resort serving the public well for 20 years or whatever. But the new, present-day tourist wants something a little better, added attractions and so on. We are going to have to develop that into a year-round facility.

We feel the tourism industry really needs year-round attractions. We have the best in the world for the summer. We are improving on the fall, or shoulder, season. What we really need is something that goes year-round so we can compete with the foreign operator or the North Carolina operator. That is what this program is about.

Mr. Eakins: Would it be spread throughout the province to help a number of areas where an anchor facility is needed?

Hon. Mr. Baetz: Let us face it; it is for the large operators. As I mentioned a moment ago, it is not for the small ones. It is not for the purpose of adding 10 more rooms to a motel. It is for the big places so they, too, have some financial equity to match what we are prepared to do.

We need these year-round facilities—whether they are condominiums with golf courses in the summer and cross-country skiing in the winter or with time-sharing possibilities. However, we have to crash that kind of market. The past record has not been good enough.

Mr. G. I. Miller: Is there funding assistance for developing golf courses anywhere in the province?

Hon. Mr. Baetz: Sure, there has been. This ministry has done it both ways. We have assisted the private entrepreneur with golf courses where he has a motel, a hotel or whatever resort. In

another way, we have assisted the nonprofit groups through Ontario grants.

Mr. G. I. Miller: I want to follow up on that a little. I can see a good potential put wrong.

Twenty-five miles is not a long distance in northern Ontario, but for southern Ontario it is a considerable distance. In my natural habitat, in the Port Rowan and Long Point area, the provincial park is 25 miles from Tillsonburg and 25 miles from Simcoe. It could utilize a motel facility because it is a flyway for the ducks and geese. The bird observatory has a station at the Backus conservation area. The chamber of commerce gets many calls every year for ice fishing and summer facilities, but there is no motel or facility for staying overnight except at campgrounds or private homes. It seems to me that would be an ideal place to give some assistance, if the right entrepreneur came along to promote it.

That is the reason I asked about the golf course. There is a small, nine-hole course there, but the operator has difficulty keeping his head above water and in order to qualify for any assistance to tourism through your ministry it would have to be owned by a public company. Would that be a fair statement?

Hon. Mr. Baetz: The beauty of this ministry is that a nonprofit or public association has possibilities of getting assistance through the government of Ontario recreational program.

If it is a private entrepreneur, either an individual or a corporation, we have a whole variety of opportunities, through the tourism redevelopment incentive program or the Ontario Development Corp. or, if it is large enough, through this new program. We can talk to anybody, whether a private entrepreneur or a corporation for profit or a nonprofit organization.

Mr. Newman: Just a while ago, you made mention of the use of Sault Ste. Marie and that area, not only in the summertime but on a year-round basis. It is a laudable suggestion. Have you thought of using the biggest city in Canada south of the United States, and the area that has more Americans living north of it than there are Canadians in Canada?

Hon. Mr. Baetz: We have many programs going in Windsor, Ontario, both on the nonprofit and profit side.

Mr. Newman: I am looking for one-day tours, if you could consider promoting them in the United States. Within a four-hour or six-hour drive, you probably have three times the population of Canada. You certainly should be

catering to some of the Americans who seem to have a plentiful supply of dollars and would be willing to drop a few of them off in Windsor, Essex county, Kent county, and going through to Port Huron.

You could develop tours that would bring them into and around Essex county and back through Detroit, or you could bring them into Essex and Kent counties, following the lake shore and the river shores right into Sarnia, then to Port Huron. I would think you would have a tremendous market in the United States if your ministry did some promotion there.

Hon. Mr. Baetz: I am glad the member for Windsor-Walkerville has raised this because that is precisely what we are doing with the "Ontario—yours to discover!" campaign. We are beaming heavily into Michigan and New York state. We know through our market research that the marketing program is second only to I Love New York. We know we are competing heavily in Michigan and a lot of people are coming across because of the promotional efforts of the ministry.

9 p.m.

You do that—you promote, you market, you sell. We are helping private entrepreneurs develop their own facilities in your area or in Sault Ste. Marie or Haliburton or wherever, so when tourists do come, they will find something very satisfactory and worth while to enjoy.

Mr. Newman: Are you prepared to help the city of Windsor develop the riverfront from the downtown area to the Hiram Walker facilities, if and when Consolidated Rail Corp. or whichever railroad decides to take over the tunnel connecting Windsor and Detroit?

Hon. Mr. Baetz: I cannot be too specific but I would say we are prepared, as we have been in the past, to help any city or region develop its tourism potential.

Mr. Newman: Have you been approached by members of city council for financial assistance?

Hon. Mr. Baetz: Maybe, but I do not recall.

Mr. Newman: How about your officials?

Hon. Mr. Baetz: Bob Brock is shaking his head; not yet, no.

Windsor and Sarnia are different but we have, directly and indirectly through this ministry, helped the Sarnia waterfront, the marinas, and the downtown development. We helped directly and through the St. Clair Parkway Commission, we have helped to encourage tourism there in many different ways.

Mr. Newman: Have you any planned one-day tours for an American visiting Canada?

Hon. Mr. Baetz: One-day tours?

Mr. Newman: Yes, in an attempt to interest them in coming to Canada. An American living within 200 miles of Windsor could, in the course of a day, travel into Detroit and cross into Windsor by either the bridge or the tunnel. There would be various scenic areas, plus possibly restaurants he could come into.

Hon. Mr. Baetz: No, I would not say we have done that specifically because we do not see that as our task. What we do is attempt to develop a broad marketing and advertising program. We hope to encourage that kind of thing through travel associations, as we provide them with financial assistance.

In Toronto, for example, we have assisted a program where hotels, motels, restaurants and some stores get together to encourage Americans to come over. Visitors get a discount from participants on theatre tickets or clothing or meals or whatever. We see that as our role, but we are not directly in the tourism development business. I do not think a provincial government should get into that.

We see ours as a threefold role. First, broad marketing, advertising and promoting in the most general way. Second, we see our role as helping, as in this agreement today, private entrepreneurs develop their capital stock, their facilities. Third is an advocacy role, vis-à-vis other ministries and the general public. We talk about tourism.

We do not see our role as developing a one-day bus tour from Detroit to Windsor. That is something a local association should be doing and we help them financially.

Mr. Newman: To what extent is your ministry involved with Ohio, Illinois, New York and Michigan in trying to attract tourism? I am referring only to a limited area. I could stretch that right along the Great Lakes waterways to the Quebec border. To what extent are you involved in promoting tourism in the northern states?

Hon. Mr. Baetz: I would say very heavily.

Mr. Newman: Tell me how.

Hon. Mr. Baetz: We sell through a television campaign and we do it through supplements in the daily newspapers, like the Detroit Times and in the Buffalo paper. I would like to have Mike Baker, who is the assistant deputy minister for tourism, give you the details on where we advertise and the various media.

Mr. Baker: Eighty-four per cent of the international business to this province comes essentially from the states you mentioned, or within 400 miles of the border crossing. More than 40 per cent of our marketing efforts are devoted to those areas.

We advertise on television, radio and through the roto inserts in newspapers in Michigan, Illinois, Ohio, New York state, and to some degree now in New England states through Boston. We see that as our major market and we do quite a bit of promotion there.

Mr. Newman: I think it would be a major market. I assume probably 25 per cent of the US population is within 300 miles of the city of Windsor. The market potential there is as great as one's imagination.

Mr. Baker: I should say also that we, through our travel trade branch, are members of and very much involved with the bus associations and with tour operators. We provide them not only with information but, whenever possible, any sort of incentive we can to bring people to this province.

As well, within the last eight months, the minister and I have met with three of the reeves from your area, Jack Miner and two other reeves, to discuss opportunities to develop trips. We discussed day trips specifically, or at least short overnight trips, to that area. We have a great deal of traffic that comes into areas like Jack Miner's, up to Sarnia and along the waterway.

Windsor is one of the few places in the province where we have two full-time travel information centres—for instance, to service people coming over by both the bridge and the tunnel. We have devoted a great deal of effort to that area.

Mr. Newman: I have visited those centres quite often and they are used extensively. Likewise, I can say the staff in the two Windsor reception centres are first-rate people.

Mr. Baker: I will certainly pass that along to them.

Mr. G. I. Miller: Do you identify the Talbot Trail, which starts at Windsor, I believe, and runs through to Fort Erie. Is that identified in your advertising?

Mr. Baker: We do not identify anything specifically in the advertising we do in that market—in our newspaper or television ads—but certainly it is mentioned in the information we encourage people to pick up.

Mr. G. I. Miller: Would you consider identifying it as such?

Mr. Baker: Sure. It is too difficult to identify specific opportunities on television or in one or two styles of newspaper or magazine ads. However, the key to our advertising is to make people aware of this province and of our 800 telephone lines and whatever subsequent information we can give.

9:10 p.m.

Mr. Eakins: I would like to direct this question to Mr. Baker. It is not directly related to the minister's announcement today; rather it is related to his statement that he was going to carry on, until the end of 1985, the five per cent rebate on accommodation for out-of-province visitors only. I wonder if you could tell me how successful this has been to date. Are the people really responding? For instance, they must go home and apply for this rebate. Can you tell me how many have applied, what the percentage of the total would be, and how it is working out? I cannot feel it is that great.

Mr. Baker: I will tell you the truth. It started in May, as you know, and it was slow in the promotion end of things. Since May we have had well over 10,000 applications. We have returned in excess of \$300,000 to people making use of that, up to November 2, 1984. We are happy that it is moving in the right direction and the intent of the industry is that they will promote it even more over the next year.

Mr. Eakins: How much have you paid out so far?

Mr. Baker: It is about \$310,000.

Mr. Eakins: Is that the most effective way for people to claim this, to have to go home and then send back the forms and proof of accommodation?

Mr. Baker: We have not decided that is the most effective way. That was the option most available to us, and that is under review as well. In a lot of operations, particularly smaller ones, the operator who has the time to spend will help visitors fill out the forms and do everything before they leave, so it can be mailed in right then.

Mr. Eakins: I do not know whether this is the way we might operate or not, but I noticed that during the conference of ombudsmen in Sweden in June a number of the retail stores participated in a tax rebate plan. They have a sticker in their window if they are part of the program, and visitors can receive their rebate at the airport where they have set up a place. Once you go through, and before you catch your flight, you

can turn in your documents, your proof, and receive your rebate right there.

I am wondering if there is some other way we might make it easier or more encouraging; it would be better public relations for our province.

Mr. Baker: Certainly, as it proves to be more successful, we will consider ways of making it more convenient to the consumer. Initially, I think what we wanted to stay away from was establishing a program that was inordinately expensive to operate, which another system may well be, until we found how many people were going to take advantage of it. We have not even completed a year yet, and we will still have those opportunities to consider alternatives.

Mr. Eakins: How much do you estimate it would cost to operate this program as a complete tax holiday rather than just for out-of-province visitors? This has been developed in the past, when we have removed the tax for a time. Considering that, do you think it would be just as well to remove the tax completely? It must cost something to have personnel look after this.

Mr. Baker: It would not be fair of me to try to guess how much it would cost. As the advocate for tourism, obviously I agree it would be great if there were no taxes at all, and the industry would be happy to hear me say that. We understand their reality. I am not sure that a total tax holiday is realistic at this time. However, considering the public relations it creates, particularly in areas where there are larger conventions booking in and there is an additional five per cent we can offer them, I would think the cost of operating the program is well worth it.

Mr. McKessock: I have a supplementary on the matter of conventions. If the total bill for the convention is paid by a company, does each individual have to apply for that rebate or can the company apply? If the company has paid the bill, can it get it back?

Mr. Baker: I do not think so. My understanding is that it would be for individuals. The regulation states individual rebate, so I would think the rebate would have to be applied for by the individual.

Mr. Eakins: Are people generally aware of this tax rebate? Do you think a lot of people who stay at a hotel are not taking advantage of it, perhaps because they are not aware of it? How do you make someone booking into a hotel aware of it?

Mr. Baker: I think the hotel operators, particularly now through the encouragement of Tourism Ontario, are trying to make people

aware of this. They tell them when they check in or when they call to make reservations. Counter cards and other things are being developed to remind people they have that opportunity. I do not think the communications program, since the plan came about very quickly and has only been in for a short time, has been as good as we anticipate it will be over the next year.

Mr. Stokes: While we have Mr. Baker here, I want to report to him that the grapevine and the smoke signals within the ministry are very effective indeed. I raised the question of Mr. Baker and his branch having some kind of co-ordinated effort with the native people in the north and asked if I could rely on Mr. Adamchick to co-ordinate such an effort. I raised that on Thursday night, flew out of here at 7:40, and when I got to Thunder Bay there was a call from him saying, "I understand you want to talk to me." So it works exceedingly well. I want to thank him for that and tell him we are working on that aspect of it already.

Would he elaborate a little more fully on things such as the American Public Transit Association convention that Toronto hosted recently, and what the tourist branch hopes to achieve by that. I had the opportunity to meet some of those people and I was very impressed. I thought it was extremely worth while.

They did provide me with some statistics of what the economic benefits might be. How can that be improved upon? I am looking at it on a regional basis. In a previous emanation I had the responsibility of hosting a good many people from offshore. We used to take them to Niagara Falls or Pickering or Fort York and a few places like that.

In keeping with what the minister said and his announcement this afternoon, what things other than an APTA convention are you doing? What do you say to them? Do you find out what it is they are interested in seeing when they come to Canada? Everybody who comes to Canada does not want to see what happens in downtown Toronto. They want to get a little farther afield.

I remember the first thing we did with one group we had was fly them out of Toronto and up to Sault Ste. Marie. We prevailed upon the vice-president of Algoma Central Railway to take them on that beautiful train ride up the Agawa Canyon. It did not cost the taxpayer anything, though it cost Algoma Central Railway a few bucks. However, it was really appreciated by the Speaker's office and representatives from the House of Commons and the House of Lords.

9:20 p.m.

When we took them up there, we took them through a paper mill and to a fish hatchery. We took them on a day of fishing out on Lake Superior and had a beautiful fish fry. Are you sophisticated enough in knowing what we have to offer that you expand on what people might enjoy when they come to our jurisdiction? Or do you say, "We have all kinds of experiences," and then leave them to their own devices to identify them and seek them out?

Mr. Baker: The first thing we try to do is encourage them to have their conventions in Nipigon and use Toronto as a side trip.

Mr. Stokes: You have been singularly unsuccessful in that.

Mr. Baker: We have a group in our travel trade office, which co-ordinates activities overseas as well, and we have the United States offices. When a major convention books into any part of Ontario, it indicates its interests in most cases for pre- and post-convention tours. We put together a number of options in all parts of the province that they can use for pre- and post-convention tours.

They include fishing, northern experiences, going to the western part of the province, the eastern part or down Niagara way. We provide that information and the costs and we help co-ordinate those through local suppliers. Then it is really up to the number of delegates of that convention to determine the demand. If there are enough people who want to go to make it viable, then they go.

The American Public Transit Association was a unique convention because all the people at the convention were people who will influence further travel; they were all travel agents. In the course of their choosing to come to Toronto, we entertained a number of them, showed them the city of Toronto and Niagara Falls and flew them north on the minister's invitation for two days of fishing. They saw northern Ontario. They could not believe Ontario was so big they had to travel that far to go up there, but they certainly enjoyed it.

Mr. Stokes: Where?

Mr. Baker: They went to a couple of places. I admit they went to Minaki Lodge, and I know they went elsewhere. They went up that far.

Mr. Stokes: If you wanted to take them fishing, you would not take them to Minaki.

Mr. Baker: They flew in from Minaki. The point is that we got them out and about and showed them around. One of the difficulties,

particularly for those from foreign destinations, is they do not understand how big the province is. They think if they are here for three days they can hit all of the province. They often think that if they are here for three days they can do Toronto, Vancouver and Montreal and go back to wherever they came from on the Thursday. It is somewhat difficult to impress on them the size, but certainly when we offer pre- and post-convention tours, no part of the province is left unsung.

Mr. Stokes: If I ask Fred Boyer, we will be here until 11 o'clock. How many of the conventions that actually ended up in Minaki were a result of his efforts or your efforts?

Mr. Baker: I do not want to fight Fred over the number, but I would suggest—

Mr. Stokes: I want to know about the process. I am not being mean-spirited.

Mr. Baker: I would suggest that most of them are the result of the marketing efforts of Minaki, Raddison and the advertising our ministry does.

Mr. Stokes: But you advise them of opportunities that might be available to them.

Mr. Baker: That is right. We often hear directly or indirectly of conventions. People write us, wanting to know about conventions. Our foreign offices provide us with information regarding conventions. We have a staff who gives out that information and helps them to identify the most appropriate place for that convention.

Mr. Stokes: Good. That is encouraging.

Mr. Chairman: Any further questions of Mr. Baker? I am sorry, Mr. Newman, I did have your name down.

Mr. Newman: I was going to ask whether you advertise in the Detroit Times and the Detroit Free Press—

Hon. Mr. Baetz: Free Press? We advertise in one of them. We have a supplement in, what is it?

Mr. Baker: We advertise heavily in the Detroit Free Press, including the rural insert.

Mr. Newman: Do you advertise in the Detroit Times too?

Hon. Mr. Baetz: No, well, we do or we do not?

Mr. Baker: No, we do not.

Mr. Chairman: Yes and no.

Mr. Baker: We may have but we do not now.

Mr. Newman: I just wanted to see if you guys knew what you were talking about.

Mr. Chairman: Mr. Eakins, do you have a further question of Mr. Baker?

Mr. Newman: I wanted to ask another question. Do you have any control at all over the restaurants on Highway 401?

Mr. Baker: No.

Mr. Newman: Okay, I will not ask the question.

Mr. Eakins: Through the Ministry of Transportation and Communications, you do, do you not?

Hon. Mr. Baetz: Very indirectly, yes, but my ministry does not.

Mr. Eakins: They are not a great advertisement for tourism unless they have greatly improved in a number of areas. I think they could contribute. Are there still a lot of complaints about the centres along the 401 in particular?

Hon. Mr. Baetz: On that point, as I said, my ministry does not have direct control or even indirect control over those restaurants. However, I have to tell you that every complaint—and there are not that many but there are some—we get from tourists, whether they are Americans or Ontarians or whatever, we follow up. We see our role as putting the heat on those restaurants to be sure they are providing a first-class service.

Mr. Newman: Would you repeat that sentence?

Hon. Mr. Baetz: We put the heat on them.

Mr. Newman: You told me you had no control over them just a moment ago.

Hon. Mr. Baetz: We have no technical control.

Mr. Newman: What kind of heat can you put on them?

Mr. Stokes: Moral suasion.

Hon. Mr. Baetz: A little moral suasion. I think it is interesting and encouraging to know that it happens.

Mr. Newman: These are professionals who are running the restaurants. You are not dealing with school kids.

Hon. Mr. Baetz: For example, a frequent complaint is that the washrooms are untidy and messy. I would not say it is a standard, but a frequent reply that we get is, "We had the place really tidy and clean and suddenly a bus load descended on us."

Mr. Eakins: McDonald's never use that excuse.

Hon. Mr. Baetz: They say, "They left it messy and untidy and then two minutes later the

person who complained came in and used it." They say it was an aberration. I just use this as an example of the complaints we get and what we try to do about them. We do try to use moral suasion or whatever else to encourage these people to keep their places clean.

Mr. Eakins: I would like to ask one question and then I want to go to Mr. Maxwell. It is an important area that he represents and we should hear from him.

In the same line, Mr. Baker, what is being done to improve the rest stops throughout the province? They are a source of complaints and letters to the editor. I noticed there were some a couple of months ago about Yours to Discover and you may have noticed these articles saying, "Boy, you should discover the terrible rest stops throughout the province."

One of the comments you hear from people coming here from down south is about the excellent facilities for rest stops along the way. It seems we are sadly neglecting those areas. What is your ministry doing to improve that?

9:30 p.m.

Mr. Baker: Once again, with the exception of the travel centres, the newest of which have always included 24-hour washroom facilities, we do not run the rest stops. However, we certainly understand that the complaints and perceptions people have do reflect on the other efforts of the ministry. If we do have complaints or if our field staff, who travel the province for various reasons, notice the unkempt quality or that something is wrong, the normal process is to determine the owner or person responsible.

On some occasions it is another provincial ministry and on some it is a municipality or a region. We make contact and let them know that they may have a problem. It may be that the facilities are not checked frequently enough.

It is difficult for us to do anything more than to make the people aware of it—to make them aware of the negative impact it could have on tourism, not only in the province but particularly in their area.

Mr. Newman: Do you grade the rest stops at all?

Mr. Baker: No.

Mr. Newman: Have you ever considered that as a tool to make the operator of the establishment keep the place in first-class condition all the time?

Mr. Baker: Honestly, we have not done so, no.

Mr. Newman: I think it is a good idea though.

Mr. Chairman: Are there any further questions of Mr. Baker? If not, Mr. Eakins has suggested that Mr. Maxwell come forward.

Mr. Stokes: I think it would be unfair to have Mr. Maxwell and Mr. Boyer sit here all night without having an opportunity to give an account of their stewardship.

Mr. Chairman: We only have about an hour left for these estimates and it would be nice to take best advantage of the last hour. I would be very interested to hear your plans for the Ontario convention centre.

Mr. Stokes: My first question is, what do you do?

Mr. Maxwell: I run the new Metropolitan Toronto Convention Centre.

Mr. Stokes: I am being facetious. How is it going?

Mr. Maxwell: Very well. We are extremely happy with our results since we opened. We are pleased with its acceptance, not only in the community but in the convention industry throughout North America and, in fact, internationally.

Mr. Stokes: I do not know whether or not you read the minister's opening comment. He had some glowing statistics as to the number of man-years of employment it took to construct it and the kind of bookings you have over the next while.

What do you see? Is it complementing Ontario Place? What will be the overall economic and social consequences of building the convention centre?

Mr. Maxwell: One objective in planning it related to the incremental impact on the province. The mandate was to pick up incremental business from the United States, the rest of the world and other provinces in the country. We have concentrated on those areas.

An example is the convention of Kiwanis International coming in June 1985. Fortunately for us, four hotels closed in the city of Detroit and that city could not handle the convention. In a team effort with Metropolitan Toronto hotels our own organization was able to move some events to bring in this group. It is a convention that will bring in approximately 15,000 people, representing close to 40,000 room-nights in Metropolitan Toronto.

This one convention is worth about \$8 million to the province. It illustrates the opportunity for bringing these people in and using the Metropoli-

tan Toronto experience as a gateway to see some of the things Mr. Baker was talking about.

It will have the effect of getting these people to see other areas of the province. About 50 per cent of them will come in by automobile, so they will be visiting other parts of the province as they come to this convention. Our geographical position is within an hour and a half by air of 66 per cent of North America—an ideal location from that standpoint.

That one convention is a good example. We now have confirmed and signed some 50 conventions, US and international, between now and 1994.

Mr. McKessock: Could we have a brief description of what you have to offer a convention?

Mr. Maxwell: The facility has a number of meeting rooms. The building is designed basically for people.

First, I point out that there are two types of facilities in North America. There are exhibit halls, such as McCormick Place in Chicago, which is a very large facility for exhibiting things such as machinery, goods and services. Then there are convention facilities that have facilities for meetings and congresses in addition to having space for exhibits, because most conventions today are financed by the trade shows that go along with them.

Our facility has a 200,000-square-foot exhibit hall which can be subdivided into about three equal halls, and we have some 40 breakup rooms for meetings—for example, the ballroom can be broken into three rooms. Flexibility is the keynote to what we are doing with movable walls and various facilities.

We have a ballroom of 28,000 square feet where we can feed some 3,000 people in a fine dining facility. We have a theatre auditorium of some 1,350 seats, a press conference facility and a total of some 450,000 square feet of rentable space. In addition, we have a 1,200-car indoor parking garage that services the building and that is another approximately 450,000 square feet of space.

We are able to offer, to the North American and international convention, all this space which is serviced by instantaneous translation facilities in up to eight languages. The building is completely air-conditioned.

We have facilities for the hard of hearing. We have the latest in audio-visual equipment and many other facilities that are required, such as teleconferencing. The building is completely cabled to handle television in any of the rooms or

to interconnect the rooms, to connect to satellites or whatever is required by today's meeting planner.

Mr. Stokes: How do you establish your rates?

Mr. Maxwell: Our rates were established by looking at the North American market and establishing what we were competing with. We basically took the position that we are competing with the major cities in the United States. We are competing with New York, Chicago, Atlanta, San Francisco, Dallas and Detroit, the top cities and the top convention destinations.

As to the rates charged at the various facilities, we were a little late getting into the convention centre business. Detroit, for example, has had Cobo Hall for many years. Atlanta has had a very fine facility. There are a lot of good facilities with established rates.

We basically looked at the most successful one of recent years, which was Atlanta, and set our rates to compete with Atlanta. Our rates are exactly the same as Atlanta, except their's is in US dollars.

Mr. Stokes: Is it so much per person?

Mr. Maxwell: No, it is so much per square foot.

Mr. Newman: Plus the advantage of an American dollar coming in. They get that advantage.

Mr. Maxwell: That is correct, not only for their space costs, but also their food costs and labour costs. All costs are lower in this market than they are in any of the cities we compete with.

Mr. Eakins: During my nine years as critic, Mr. Maxwell, I think you will recall that part of the estimates every year was, "When are we going to get on with the convention centre?" I am delighted to see it is a reality and I appreciated the invitation to attend the official opening, which was opened by Her Majesty the Queen.

I was very impressed with the facility, with what I saw there and with how quickly it was built and in service. I am delighted to see you are president of the corporation because you have made a good contribution to tourism here in the ministry. We have been able to see your work over a number of years.

9:40 p.m.

One of the items you have mentioned goes beyond serving conventions alone. I know that there were many conventions—it seems to me 60 or 70 major conventions every year—that could not come to Toronto, could not even consider

Toronto, because the facilities were not there, and now we are in the market for them.

I have been interested in the fact that not only Metropolitan Toronto is served. There are two other levels of government which contributed, the federal and the provincial. Of course, I am interested in the spinoff effect to the rest of the province. I think Toronto is the focal point for the conventions and people, and from there we should be doing everything possible to make sure they see the rest of the province.

What is your responsibility in making sure that this comes about? Is it now the responsibility and the initiative of the Ministry of Tourism and Recreation to set up some type of facility within the convention centre to promote the rest of the province? Has it been set up as yet or will it be?

Mr. Maxwell: There are two responsibilities. I think our responsibility is to inform our ministry of the bookings that are coming in. In selling all of these people, it is basically a team effort. We work very closely with Bill Duron, president of the Metropolitan Toronto Convention and Visitors Association.

Mr. Eakins: Is there any overlapping of your responsibilities there or does one complement the other?

Mr. Maxwell: I think one complements the other. In fact, we share the expenses of a sales representative in Washington, from where some 30 per cent of all association bookings come.

In addition, we also work very closely with many levels of government in obtaining this business; it is not a single effort. The American Public Transit Association convention, which was mentioned earlier, was a joint effort of a number of jurisdictions.

On many of the international conventions, we work very closely with the ministry with respect to familiarization trips, sending people over to convince the international boards of these organizations that they should come to this province.

In many instances it is a joint effort of Tourism Canada, the province, the municipality of Metropolitan Toronto and ourselves. It is a team effort to get these large pieces of business, because it is very highly competitive.

Mr. Eakins: I realize that.

I do not have too many questions. What is the employment factor; how many full-time people are employed at the convention centre?

Mr. Maxwell: As of today, 101 full-time employees and up to 500—we have processed 500—part-time employees with respect to setting

up payrolls. We have issued paycheques to some 500 people in the first five weeks of operation.

The 100 full-time jobs will probably grow to 120 as the business expands, and the part-time jobs to 600. That spreads right across the spectrum of everything from food and beverage help, skilled labour in putting up exhibits, electricians, carpenters, plumbers, audio-visual people—right through the piece.

Mr. Stokes: It is quite an industry in itself.

Mr. Maxwell: It is an industry now that totals, when you include everything from a meeting of 25 people to large conventions, some \$27 billion a year in North America. It is an enormous market, and it is growing every day. As the cost of direct sales increases, the use of trade shows and conventions to sell people is becoming more attractive, because it is far less expensive and a very direct way of getting to the major purchasers.

Mr. Eakins: Perhaps you referred to this. How many people can you cater to at a banquet at one time?

Mr. Maxwell: Our food program calls for us to be able to feed 7,500 people at one time. We have 17,000 square feet of kitchen space.

Mr. McKessock: Just for clarification, you mentioned 3,000 in the banquet hall.

Mr. Maxwell: That is in the ballroom. In the exhibit hall we can feed up to 7,500 people.

Mr. McKessock: Is that in addition to the ballroom?

Mr. Maxwell: No. If we had 7,500 up there for dinner, I do not think we would be able to squeeze even a hot dog out of any other facility.

Mr. McKessock: This is not including the ballroom.

Mr. Maxwell: No. As a matter of fact, the way our fire code goes, if we had 7,500 people for dinner in the exhibit hall, that would be it; we would not be feeding anyone else. We would be using all our available equipment to accomplish that.

Mr. Newman: Are you involved in any planning concerning the domed stadium?

Mr. Maxwell: No, I am not involved in any planning. I am aware of a lot of planning.

Mr. Newman: Are you involved in any studies on the domed stadium?

Mr. Maxwell: No.

Mr. McKessock: What was the total cost of the convention centre?

Mr. Maxwell: The capital cost of construction was \$77 million, and the furniture, fixtures and equipment add another \$13 million, so it was \$90 million in total.

Mr. Stokes: They get \$44 million over five years.

Mr. McKessock: I notice that this year there is a grant here for the Metropolitan Toronto Convention Centre for \$713 million. That is an operations grant?

Mr. Maxwell: I believe it is \$713,000.

Mr. McKessock: Yes, \$713,000. That is for operations?

Mr. Maxwell: We are looking to an operating loss in year one of some \$713,000.

Mr. McKessock: After year one what are your projections? Is it to be a self-sustaining business?

Mr. Maxwell: It is hoped to be and projected to be a profit-making organization.

Mr. McKessock: Concerning the other costs here under parks and attractions program, Ottawa/Toronto convention centres, what is that? Is that \$28 million for both of them?

Mr. Maxwell: I believe those are capital costs.

Hon. Mr. Baetz: That is right.

Mr. Maxwell: Those are capital costs, the \$28 million and the \$17 million. Those boxcar numbers are for capital costs for the construction of the two facilities, I believe.

Mr. McKessock: For this year.

Mr. Shoreman: For both. Both were included in that for this year.

Mr. McKessock: What is the breakdown on those two between Ottawa and Toronto?

Mr. Shoreman: I will give it to you. It is \$17 million in total. It is \$14.6 million for capital, there is a \$1.6-million grant to cover an operating loss in Ottawa and there is \$713,000 for operations in Metro, for a total of \$17 million.

Mr. McKessock: For Toronto.

Mr. Shoreman: No, for both.

Mr. McKessock: The estimates say here \$28 million.

Mr. Shoreman: That is the previous year.

Mr. McKessock: Oh, okay. I am sorry, \$17 million.

Mr. Shoreman: Yes, \$17,029,000 for this year.

Mr. Chairman: Are there any other questions of Mr. Maxwell?

9:50 p.m.

Hon. Mr. Baetz: Mr. Chairman, while Mr. Maxwell is still here, with your permission I want him to indicate for the record just a few examples of the kinds of conventions that are booked here. They are a constant source of amazement to me, a total amateur in the convention field, but Mr. Maxwell can confirm or deny that these people are coming here.

The Kiwanis International in 1985 will attract some 15,000. The International Congress of Immunology—I had never heard of it before—is coming here 6,000 strong. Then we will have the International Philatelists—40,000 stamp collectors—coming here. Then we have the Imperial Council of the Ancient Arabic Order of the Nobles of the Mystic Shrine, with 50,000 coming here. That should terrify anybody. The American Hospital Association will bring 14,000.

I am just giving you a few examples here. If I am incorrect, Mr. Maxwell will correct me. This one will make Mr. Stokes happy: We are going to have the International Brotherhood of Electrical Workers, 7,000 strong, coming here, and the United Brotherhood of Carpenters and Joiners of America, 4,000.

The chiefs of police, 6,000 strong, are going to be coming here. Then we have the International Reading Association; I had never heard of it before, but there are 12,000 coming here. We have the Third North American Chemical Conference, with 10,000.

For all us Christians, the North American Christian Convention will be coming here, 20,000 strong. For all the legal people in the crowd, the American Bar Association is coming, 18,000. The Minister of the Environment (Mr. Brandt) is not here tonight, but the Water Pollution Control Association—of the world, of America or wherever—10,000 will be here.

I wanted to read that into the record because I think it is incredible. Those are just a few examples of the conventions that will be coming here to the convention centre.

Mr. Chairman: I wonder if you can tell us who is going to be there on January 24 to 26, because other conventions could not get in there.

Hon. Mr. Baetz: You and I will not be, that is for sure.

Mr. Eakins: It is a smaller convention, so they were able to get them in somewhere else.

Hon. Mr. Baetz: This is simply to illustrate, as I am sure Mr. Maxwell would confirm, that convention business is an enormous busi-

ness, a surprisingly big business. With the convention centre here in Toronto and a smaller one in Ottawa, we feel that we are into the business in a big way.

Mr. Eakins: I will endorse the convention centre. I am delighted to see it getting off the ground. It is a very impressive place. Perhaps it might be an opportunity, Mr. Maxwell, for some of the members or the committee to have a tour, just so we are aware of what it has to offer.

Mr. Stokes: I have never seen it. I was engaged up north when you opened it. I was looking after northern affairs when all you fellows were goofing off down here. I would appreciate an opportunity to go through it.

Mr. McKessock: How many conventions have you held so far?

Mr. Maxwell: We have had a number of events. I would say there have been about half a dozen conventions.

Mr. McKessock: What was the largest number?

Mr. Maxwell: The Ontario Motor Coach Association was in with about 800 people. That was a small one.

Mr. McKessock: That leads me to the next question. I notice you have some that are up to 20,000. Do you anticipate any problem in the traffic, getting from the hotels to the centre? At eight o'clock in the morning, or 8:30, whenever it is, there are going to be a lot of people trying to get there.

Mr. Maxwell: The site was selected to be within walking distance of about 8,000 hotel rooms; that was one of the things. Another thing is that through the use of an internal street and 1,000 feet of frontage on Front Street, we can unload about 30 buses at one time. We tested that on the day of the papal visit; we were loading and unloading up to 35 buses at one time on both the internal street and Front Street.

I believe we have the capability to move those large numbers of people. They do not all come at once. For some plenary sessions, they do. For example, I think the Kiwanis wants seating capacity for some 12,000 people. We will have to talk to one of our sister corporations, the Ottawa convention centre, to try to borrow a few chairs, because while we have 12,000 people upstairs, they also break out to go to meetings for 4,000 on the second level. That is a total of 16,000 chairs. Therefore, we are short a few chairs.

Mr. G. I. Miller: Does the GO train stop there?

Mr. Maxwell: No. The GO train is only about 2,000 feet away at Union Station; it is not that far away.

Mr. G. I. Miller: What are the parking facilities?

Mr. Maxwell: We have 1,200 spots, and there are another 1,500 directly across the street.

Mr. G. I. Miller: Is that the underground parking between University and York streets?

Mr. Maxwell: No. It is on the proposed site of the building for the Canadian Broadcasting Corp., which may be there for some time.

Mr. G. I. Miller: Do you mean this federal government is not going to be as generous as the last one?

Mr. Maxwell: There is a \$500-million price tag, and they have not called for proposals yet. It may be a few years before it is completed.

Mr. Stokes: Did you mention the number of conventions you have booked between now and 1990?

Mr. Maxwell: It is to 1994.

Mr. Stokes: That is what I wanted to ask you.

Mr. Maxwell: We have actual confirmed bookings for 1994.

Mr. Stokes: Like what?

Mr. Maxwell: For example, the Canadian Bar Association is 1988; the American Association of Orthodontists is 1993. I think 1994 must be Canadian.

Mr. McKessock: Your parking facilities do not seem very great for the number of people you may have there. Maybe you are going to need the parking lot of the proposed CBC site.

Mr. Maxwell: Research shows us that the convention delegate, while he may drive here, usually leaves his car in a parking lot and uses public transportation. Many conventions organize bus transportation between hotels and the various centres. I am sure we have all used that in various cities.

For example, there were some 20,000 Rotarians here. They were using up to 100 Toronto Transit Commission buses and moving them around the city from meeting to meeting.

Mr. Chairman: How many rooms are there in the hotel?

Mr. Maxwell: Do you mean in the hotel that is attached to it?

Mr. Chairman: Yes.

Mr. Maxwell: There are 600.

Mr. McKessock: Is the hotel part of the convention centre?

Mr. Maxwell: No. It is separate and distinct. However, it is attached, and we have a doorway between the two facilities. When there is a convention or meeting going on where people are staying in the hotel, the doorways are open. Therefore, it is open virtually all the time.

Mr. McKessock: Who owns that hotel?

Mr. Maxwell: The hotel is operated by CN Hotels. It is owned by Morguard Investments Ltd., a pension trust that invests pension funds in buildings across the country.

Mr. Chairman: Thank you very much, Mr. Maxwell. We appreciate that information. It is one of the newest tourist attractions in Metropolitan Toronto and in Ontario.

Mr. Boyer, one or two members of the committee may have a question or two for you, sir.

Mr. McKessock: Will you ever make it pay?

Mr. Eakins: Out of courtesy, we should let Mr. Stokes go first.

Mr. Chairman: Since he is one of the stronger promoters of Minaki.

10 p.m.

Mr. Stokes: I would like to ask Mr. Boyer whether he has made any improvement in his recruitment or retraining of local people who could take advantage of something more than mowing the lawn, dumping the trash or something like that. When I was out there, I made it my business to ask people where their homes were. Most of them were from outside the area, and some of them were even from outside the province.

What improvements have you made in your recruitment and retraining to make it truly a northern happening where people in the area who need jobs can take advantage of them?

Mr. Boyer: I was not aware that there was a need to improve the recruitment policies, which call for us to hire the best qualified people and, all things being equal, to hire in Ontario. It is true that we hire a number of people from Manitoba. Winnipeg is the nearest large city with a pool of trained people in the hospitality business.

Mr. Stokes: Let us start off on the right foot. That was a job-creating undertaking. If you wanted to create jobs for people all over Canada, it is centrally located and God bless you, but that was not the mandate.

Mr. Boyer: Can I tell you who we hired this year and their home towns or home provinces? As you know, we have some 16 full-time people, the majority of whom now make their homes in

Minaki. As of April 23, we hired 146 people. There were 108 from Ontario and 38 from elsewhere in Canada, the majority from Winnipeg.

The people from Ontario included 21 from Minaki itself. Minaki is a community of only some 300 people. There were 16 from Kenora and Keewatin, some 10 from Thunder Bay, three from Fort Frances, four from Dryden, one from Sioux Narrows, one from Rainy River, without going into all the northwestern Ontario communities where we hired.

However, there was a major change in our recruitment procedures for the 1984 season. It was most successful. The change was that with advance planning, our managers, Radisson Hotels, purposely set out to recruit from Ontario's community colleges. They hired at Canadore, Fanshawe, Georgian, George Brown and Confederation colleges. They propose to expand this exercise for the 1985 season.

I would like to make one final comment on people. Some research was conducted for us by an outside firm, interviewing this summer's guests. The highest favourable rating by guests, 98 per cent, was for friendly and helpful staff.

Mr. Stokes: You are saying that of the 121 you recruited, 58 of them came from northern Ontario?

Mr. Boyer: I think I can find more than that, Mr. Stokes. I just selected a few communities at random. However, we begin with the point that we hire the most capable people.

10 p.m.

Mr. Stokes: You should, too. Are you going to continue to attempt to train local people so they can be the best available?

Mr. Boyer: We have had two training programs with Confederation College of Applied Arts and Technology, using facilities in Minaki. We work closely with Canada Manpower in Kenora. The brief answer is yes.

Mr. Stokes: I can justify the expenditure of those funds as long as you live up to your original mandate. If you do not, I have problems with it. That was my first question.

Are you reaching the point where the occupancy rate and the volume of business you do now cover operating expenses? I am not talking about capital; I am talking about operating expenses.

Mr. Boyer: No.

Mr. Stokes: How far away are you from achieving that goal?

Mr. Boyer: Based on a meeting held today, when we saw for the first time the Radisson

Hotels projection for five years, we believe we will operate in the black in 1986.

Mr. Stokes: You said you had a study done with regard to acceptability by the public of the level of service they were getting. Other than the 58 jobs in northern Ontario—21 in Minaki, 16 in Kenora, 10 in Thunder Bay, three in Fort Frances, four in Dryden and four others, for a total of 58 out of 121—what economic spinoff are you getting in terms of cruises and accommodation elsewhere? Have you been able to get a handle on that?

Mr. Boyer: We have some indices. First of all, sales at Minaki Lodge increased from \$2.1 million to \$2.9 million; so there is new money of \$2.9 million entering that community, compared with our mothballed years.

There have been new businesses established in Minaki. We are major buyers from suppliers, particularly in Kenora but in general throughout the northwest.

Mr. Stokes: Winnipeg.

Mr. Boyer: Yes. I would not attempt to suggest the multiplier effect of that \$2.9 million. I can only guess that it would be spent two plus times over in the region. It has created a new bait business in the community of Minaki, a new contractor in the community of Minaki and a takeout pizza business in the community of Minaki.

Mr. Stokes: You are getting a bang for your buck then?

Mr. Boyer: That is right. I listened to John and his numbers, and they are right. We are speaking of a region of the province that does not have a large number of people generating attractions.

Mr. Stokes: That is right.

Mr. Boyer: You mentioned the cruise boat business. Sunset Country, which is the travel association covering the Dryden, Fort Frances and Kenora triangle, identified its major attractions as being the fort at Vermilion Bay, the Lake of the Woods cruise, the Minaki cruise and Minaki itself. The company that operates the cruise from Kenora to Minaki started that cruise only because Minaki exists. It is a more profitable operation for that company than its long-established Lake of the Woods cruise.

10:10 p.m.

Another part of our mandate, Mr. Stokes, is to be a tourism leader in the northwest, and we have become that.

Mr. Stokes: I do not want to monopolize the whole time, but I have one final question. Mr. Baker mentioned he was instrumental in getting a group of those people from the American Public Transit Association up there. What volume of business are you generating from people who choose to stay at Minaki Lodge but fly out for fishing? Is that a regular business?

Mr. Boyer: In terms of numbers, that does not exist at Minaki Lodge at this time.

Mr. Stokes: You are not promoting that then? You are leaving that to other private entrepreneurs?

Mr. Boyer: No. We do try to attract that business, but we have not received any significant volume of it at this point.

Mr. Stokes: You do promote others to try to complement the kind of experience they have to offer.

Mr. Boyer: Yes.

Mr. Stokes: Thank you.

Mr. Eakins: We were talking about the number of employees. What positions would the 38 from Winnipeg occupy?

Mr. Boyer: The 38 from other provinces and 23 from—

Mr. Eakins: Mainly from Winnipeg.

Mr. Boyer: I cannot answer that because they occupy—

Mr. Eakins: Is it because there was a shortage of applicants from Ontario? I recall last year when we were discussing this, you mentioned it was difficult getting young people to go up there.

Mr. Boyer: That is no longer the case. These temporary employees, and indeed all the employees, cover the whole range of jobs. For example, our general manager is most recently from the Westin Hotel, Winnipeg, and our director of sales is from Harrison Hot Springs, British Columbia. Our chef is from a restaurant and hotel operation in Alberta, our head housekeeper from Kapuskasing, our chief accountant from Chatham and our purchasing agent from Huntsville. They cover the whole range of occupations and all parts of the province.

I mentioned that we are not having difficulty getting good help, as that favourable rating of personnel indicates. For these 150 jobs, there were 800 applicants.

Mr. Eakins: What kind of training do you give your employees? You mentioned friendly service as one of the things people appreciated. Do you do any "We treat you royally" training yourselves? This is something that was started by

the ministry but dropped. One of the complaints I have had is that the program did not continue. It is not only needed at Minaki, it is needed in Toronto, in the Legislature, or wherever you go. It should be part of good, old-fashioned hospitality and it does not cost a cent.

I am somewhat sad that program was dropped because it was one of the important ones. You mentioned that this is one of the important things about Minaki, that people like the friendly service and you hire people on that basis.

Mr. Boyer: It is on-the-job training by management.

Mr. Eakins: So you are training those people right at Minakai.

Mr. Boyer: They come to us in large measure already trained. When I mentioned the community colleges, I should have added that we went to the hospitality skills training courses to recruit those people.

Hon. Mr. Baetz: Related to that question of the member for Victoria-Haliburton, there was a survey taken of customers who came to Minaki Lodge. They were asked whether they were satisfied or not and how much they enjoyed it. Obviously, the physical facilities would be a part of it, but I am sure the service itself would be a major feature. We have rather encouraging and interesting statistics to show the customers' satisfaction.

Mr. Boyer: The highest rating was for staff, with 98 per cent favourable rating. The second highest is interesting. The question was, "Would you recommend Minaki Lodge to your friends?" Ninety-five per cent said they would, and I surely hope they do. I do not think they would do that if they had had in any way a bad experience.

Mr. Eakins: The friendly service and the hospitality with which you are received is one of the major incentives to anyone for repeat service. That is one of the things we are sadly lacking in many areas right across the province. It is a program, which I think, whether with ministry or government involvement, should be going again. It is badly needed, and I am pleased to hear you say it is one of the major features there.

Mr. Boyer: I did not say it; the guests said it.

Mr. Eakins: What is Radisson's percentage? Are they on a straight \$100,000?

Mr. Boyer: No. The \$100,000 is a minimum that is never applied. Radisson earns five per cent of gross sales. That is to say on sales of \$2.9 million, they would earn \$145,000; so they are already in excess of the \$100,000 minimum. If

we achieve operations in the black, they get 10 per cent of the operating costs.

Mr. Eakins: I have one other question. Where do the majority of people come from? What is the breakdown? Perhaps that was answered earlier.

Mr. Boyer: No.

Mr. Eakins: I did not know if the member for Lake Nipigon had asked that.

Mr. Boyer: This year 60 per cent were from Manitoba and 20 per cent from Ontario, divided about equally between northern Ontario and southern Ontario. We are very pleased with the proportion from southern Ontario. We are a long way away and we did not expect that kind of proportion of our guests. This year there was an improvement in United States visitors to some 15 per cent, but that percentage can and will be substantially improved on.

Mr. Eakins: Were the US people from the border states?

Mr. Boyer: They were from the north central states—the cities of Minneapolis, Chicago, Milwaukee and Omaha. That is where our people are from in the US, but we can do much better in numbers there.

Mr. G. I. Miller: What is the per diem?

Mr. Boyer: The peak single rate is \$90.

Mr. G. I. Miller: Does that include meals?

Mr. Boyer: No. Meals are in addition to that. Breakfast is about \$7, lunch about \$10 and dinner about \$25, although there is much more of a choice than that indicates.

10:20 p.m.

Mr. Stokes: Bernie, do not go there. If you cannot pay the prices at Ontario Place, you have not got a prayer at Minaki.

If there are no other questions of Mr. Boyer, I have two I want to ask of our sports and fitness group. They have been sitting here patiently now for the third session.

Mr. Chairman: Thank you very much, Mr. Boyer.

Mr. G. I. Miller: Are there any members' rates for going up to Minaki Lodge?

Mr. Chairman: I do not know. I think the committee should go up there.

Hon. Mr. Baetz: You are invited. You will enjoy it.

Mr. Stokes: We have to change the way we do these things. I do not suppose I will be around for another round of them, but I think we have to allocate our time better to reflect what this ministry does. I did try to reflect in my opening

remarks how much I personally appreciate what the fitness group and the sports and recreation group do.

It certainly was not reflected in the amount of time we have allocated to them. I suppose it means things must be working pretty well or we would be here with a lot of complaints.

I want to say, frankly, I do not have any, but I want to ask whomever the minister chooses, to tell me about the provincial sports medicine office. The minister made the announcement earlier this year—March 30—and I would like a brief update on what he hopes for that centre and what, if anything, has been accomplished since it was established.

We heard something and we know quite a bit about how the ministry participates in and funds sports governing bodies, but I want to ask what it does for the Ontario Federation of School Athletic Associations, the group within the provincial high schools, to assist them in furthering their programs at the high school level.

Hon. Mr. Baetz: I would ask Mr. Second, the assistant deputy minister, to reply but if he wishes he may delegate the question to someone else.

Mr. Second: We share the leadership in the division, so Mr. Halstead will answer number one and I will try to confuse the member with number two.

Mr. Halstead: With respect to the sports medicine office, as you know that was established about six months or so ago. Its purpose was to help the ministry and the sports fraternity to gather data and information on the number of injuries that are occurring, why they are occurring and the kind of cure that is in place to help prevent these injuries.

Thus far, we have been engaged in a needs assessment with the sports associations, trying to find out from them how we can, through this office, help them to gather data on the types of injuries that are occurring and how they are dealing with this. The ultimate view is to get involved with some co-ordination and try to work with them in reducing these injuries.

Mr. Stokes: Do you co-ordinate your efforts or do you seek outside assistance from people such as Jack Remus, an orthopaedic surgeon in Thunder Bay, who has volunteered. I do not know whether that is the proper terminology, but I know he has been quite active in northwestern Ontario on sports injuries and sports medicine. Do you take advantage of his expertise in the field and, if so, how do you co-ordinate that?

Mr. Second: The connection there is with the Confederation College sports centre. They avail themselves of his services as well as others up there, in providing the programs in both preventive and remedial injury treatment.

Concerning the question of the Ontario Federation of School Athletic Associations, we work with them on a regular basis. As you well know, Mr. Stokes, that is one of the feeder systems to a good sport development, as well as participation for the fun and enjoyment that comes through that.

We provide financial assistance to them and organizational assistance. They have a full-time executive director, with whom we are relating constantly, and they have asked us for financial assistance in the holding of one provincial championship in track and field. We annually provide financial assistance for them to bring their eight regions together for the provincial finals.

Mr. Stokes: Where does that usually take place.

Mr. Second: It varies. As you will recall, it was held in Thunder Bay just before the 1981 Canada Games. Last year it was held in Etobicoke. There is a scarcity of all-weather tracks around the province. Thunder Bay, North Bay, Birchmount, Centennial and London—that little stadium—are just about it.

Mr. Newman: I wanted to raise the issue of boxing with the gentleman here.

Hon. Mr. Baetz: We are surprised.

Mr. Newman: There is not that much time and you are going to cut me off at 10:30 p.m., so I want to come down and read into the record the latest editorial I happen to have concerning boxing. I am wondering just when this ministry is going to get rid of boxing as an athletic endeavour for any amateur.

Beating an individual's head with two sledgehammers, so to speak, does not do anything but harm that head. All medical evidence I have been able to get certainly downgrades that as a sport. They do not consider it a sport and I do not consider it a sport.

I have had a lot of experience in athletics, including boxing. As a result of seeing the effects of some of this I can do nothing other, to be sincere and honest with myself, than say that sport should be banned. I am referring to amateurs. Whether the pros want to knock one another's heads off does not concern me at all.

Amateurs should not be in the boxing field. Regardless of the amount of cushioning and

protection they put around the head—which they do not put around their heads—the only thing that can happen to an individual who partakes in the boxing field for any length of time is brain damage.

This is from an editorial dated May 29, 1984, headed "Boxing: Brain Over Brawn." It says:

"The manly sport of boxing got another bloody nose when George Lundberg, editor of the Journal of the American Medical Association, wrote that it should be abolished or at least have its rules altered to ban head blows. Dr. Lundberg wants the ban so that 'men fighting their way out of the ghettos would not have to lose brain substance on their way out. Why not make it fair game to strike anywhere between the clavicles and the waist?' he asks. 'Boxing could remain a sport of speed, skill, bravery, stamina, cunning and strength.'

10:30 p.m.

"Dr. Lundberg's suggestion deserves support. Anyone who watches boxing matches on television would tend to agree with him that the sport is not what it is supposed to be. Of course, there are those among us who claim, with a great deal of justification, that boxing has never been what it is supposed to be. It is a sport that has been exploited by outsiders from the very beginning. Poor young men hoping that one day they would make it in the world of boxing, with visions of championship and glory nurtured by those who actually control the sport, become boxing ring fodder by the hundred. Hundreds more, if not thousands, drunk with the prospect of success, end up punch-drunk on skid row in almost every city and town across North America.

"True champions who fought the best in their time ended up with brain-damaged shadows of themselves by seeking one more victory, one more roar from the crowd. Today television boasts of having revived the sport. Judging by the calibre of some of the matches televised, the inequality of skills and strength of those fighting, resulting in the total dominance of one boxer by the other, television has in some cases performed human sacrifices, which it tries to palm off to the Romans in the coliseum of the boob tube.

"In Canada, especially Ontario, we have a special problem with the way the sport is handled and presented to us. We have often been exposed to the Ohio Brigade, a group of incompetent amateur boxers who hire out for \$100 a bout to make the local boys in Canadian cities, who may be equally incompetent, look good in the ring.

"Ideally, boxing should be banned. But since the sport is still firmly embedded in our sporting

traditions, we would urge that Canada's physicians look into it closely and make recommendations on the basis of their findings that may save the brains and perhaps the lives of several young men who may think they can escape poverty by ducking between the ropes of a boxing ring. Boxing is not a sport. It is rather the result of our failure as a society to raise the hopes of young men higher than the level of a boxing ring canvas."

I believe most of this is true. Having been involved in athletics up until the time I decided to enter this arena, I was very closely associated with the boxing profession as well as other athletic professions. When you put two people in a ring, regardless of the size of the pillows you get them, the whole purpose is for one to defeat the other. If it is not a knockout, then it is not pleasing to the audience. So some of the bouts, let me tell you, are really staged.

We in this province should lead, not follow. We should either put much stricter controls on boxing or, as far as I am concerned, ban it completely. It is not a sport. It is inhuman. It is going back to the old Roman days. I thought we were in the 20th century here, yet we are still engaged in that type of a so-called sport. It is not a sport.

Mr. Eakins: Just before you call the vote, could I put on the record to the minister a request that he consider again the questions in Orders and Notices I sent to him on March 23, 1984? If he would review this, I would be pleased.

Hon. Mr. Baetz: Yes, I will do that. Mr. Chairman, could I also quickly say, going back

to some comments in our earlier meetings here with Mr. Newman, my invitation to Mr. Newman would be that if he can produce anything that had to do with his days as the coach of the gymnastic team at the Olympics, we would very seriously consider having that as part of our permanent collection in the east wing. Believe me, we do want to honour this member of the Legislature for the records he achieved in the amateur world.

Mr. Stokes: Get out your scrapbook.

Mr. Newman: I appreciate that. I have never looked for honours of any type.

Mr. Stokes: It is a nice gesture.

Mr. Newman: I had an opportunity to perform and to have young athletes achieve a level of competence that was almost tops in the world.

Hon. Mr. Baetz: Perhaps you would go through your closet and maybe find a shirt or something.

Mr. Chairman: A sweaty old sweatshirt. Before calling the vote, I would like to thank the minister and his staff for spending these past few days with us and helping to answer some of the committee members' questions.

Votes 2701 to 2705, inclusive, agreed to.

Mr. Chairman: This completes consideration of the estimates of the Ministry of Tourism and Recreation.

This committee is adjourned until 10 a.m. tomorrow.

The committee adjourned at 10:34 p.m.

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From the Ministry of Tourism and Recreation:

Baker, M. J., Assistant Deputy Minister, Tourism
 Boyer, F. J., President and Chief Executive Officer, Minaki Lodge Resort Ltd.
 Cooper, V. J., General Manager, Ontario Place Corp.
 Halstead, J. A., Director, Sports and Fitness Branch
 Maxwell, J., President and Chief Executive Officer, Metropolitan Toronto Convention Centre Corp.
 Secord, R., Assistant Deputy Minister, Recreation Division
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No. R-38

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of Industry and Trade

Fourth Session, 32nd Parliament
Wednesday, November 21, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, November 21, 1984

The committee met at 10:24 a.m. in room 228.

ESTIMATES, MINISTRY OF INDUSTRY AND TRADE

Mr. Chairman: Committee members, ladies and gentlemen, we recognize a quorum. In spite of the hour I think we should get these estimates under way. This morning we will hear an opening statement from the Minister of Industry and Trade (Mr. F. S. Miller).

Before we start, I would like to have consent of the committee to move the Ontario Development Corp. activity to tomorrow, because some of the officials from ODC are going to have a problem being here later on in the week and next week. So can we bear in mind we would like to have any discussion on ODC tomorrow.

Mr. O'Neil: No problem, as far as we are concerned.

Mr. Chairman: No problem; that would be fine.

All right, we turn it over to you, minister. You can bring your remarks to the committee.

Hon. F. S. Miller: Thank you very much, Mr. Chairman. I am so pleased to have this chance to spend a few hours with you at this time, when I am not otherwise occupied.

Mr. McKessock: Is something else on?

Mr. O'Neil: Maybe we can keep you here a little longer.

Hon. F. S. Miller: Think of the alternatives.

Mr. McKessock: Right.

Mr. Villeneuve: How far right?

Hon. F. S. Miller: At last year's estimates, I indicated Ontario is moving and growing again. I am pleased to say we are continuing our drive to economic renewal. Last year the provincial economy created 49,000 jobs for its young people. Manufacturing shipments rose by 10.7 per cent in Ontario, compared with only 6.9 per cent for all of Canada. Also, retail sales in Ontario increased by 9.8 per cent, versus 6.7 per cent for the country as a whole.

In October the seasonally adjusted unemployment rate fell below nine per cent to 8.9 per cent. In October we created 45,000 new jobs, of which 18,000 or 40 per cent were in the manufacturing

sector. While unemployment is still much too high, this performance is very encouraging.

If the Ontario economy is to continue to thrive and contribute to our enviable quality of life, we must build upon our recent achievements. I believe my ministry can assist the private sector in this task by helping to spur further economic growth and encourage greater international competitiveness.

A healthy private sector will always be the main engine of job creation. My ministry can help by stimulating growth, by attracting investment, supporting new technologies and encouraging export sales and the accelerated formation of new small firms.

But we must remember that we can only help, we can act as a catalyst; business must be allowed to do what it has always done in this province in the past; that is to create wealth and in the process create jobs and strengthen our economic base.

We strive for long-term anchoring of productive employment, technological leadership, improving our export performance and advocacy of business interests. To these broad goals we should add the critical issue of more co-operative and productive labour-management relations.

Today's international marketplace is so fiercely competitive that not business, labour or government can afford to waste time and effort on conflict among ourselves. If we are going to succeed in world markets, it has to be as a team effort. We simply have to work together more closely and more often. With these goals to direct us, the Ministry of Industry and Trade underwent a reorganization this fiscal year. We redistributed staff and financial resources so we could better achieve our objectives.

First, a new planning and priorities secretariat was established. It replaces the two separate industrial and trade policy analysis branches. This consolidation of all ministry policy development allows better co-ordination of ideas and recommendations for promoting Ontario's economic growth. Since so many areas within industry and trade overlap, this new secretariat lets us tackle overall economic strategies more effectively.

10:30 a.m.

Second, the technology centres unit, which co-ordinates our six technology centres around

the province, is now a division. Because of the crucial importance of industrial high technology to our manufacturing base, the activities of this group justified division status.

The new innovation and technology division also co-ordinates the work of the Ontario Research Foundation and the Innovation Development for Employment Advancement Corp. Some of the activities of the innovation and product development branch, now renamed the domestic marketing branch, have been transferred to this new division.

Late last fiscal year we also split our small business and field services branch into two groups, small business and domestic offices. Basically, the ever-growing importance of small business to our economy justified a separate branch. We also wished to strengthen public awareness of the ministry's domestic offices as a one-window stop for provincial and federal government services. In order to achieve our goals, we have decided to concentrate on five major areas: trade, small business, investment, import replacement, and innovation and technology.

The focus of the trade division is assisting in the sale abroad of Ontario products and professional services. In September 1983 I announced a five-year trade plan with clear targets and selected strategies to increase the export of those products and services. This plan was needed because Ontario is so dependent on international trade. One out of every five people in our work force depends directly or indirectly on exporting for a job. That adds up to more than 800,000 jobs.

Our trade plan aims to increase Ontario's export sales from less than \$37 billion in 1982 to \$60 billion by the end of 1987. Achieving this target will mean the creation of 170,000 more jobs for the people of this province.

I am happy to say that our strategy has been more than successful. It looks as if Ontario's export sales should easily top \$50 billion by the end of 1984, which means we are considerably ahead of our goals.

In the first six months of this fiscal year export sales assisted by my ministry's personnel and its programs totalled \$248 million. That is compared with a total of \$259 million in assisted sales for the entire 1983-84 fiscal year. So it seems that our goal to recapture lost trading ground will be realized and the downward trend in our share of world markets is being reversed. Specifically, in 1982 Ontario's world market share was 1.5 per cent; in 1983 it increased to 1.9 per cent.

Automotive exports certainly make up a big part of that export sales total. This sector continues to thrive. In fact, from January to August of this year, Ontario exported \$18.7-billion worth of automotive products, a 55 per cent year-over-year increase. As well, in the same eight-month period, the export sales of fully-manufactured, semi-manufactured, resource and food and beverage products also increased. So gains were being made in all these sectors.

I would like to mention several initiatives which have been particularly successful. The first is the export success fund, which was launched on a trial basis just over a year ago. It was designed to help Ontario firms with fewer than 100 employees start exporting or break into new foreign markets. It has attracted great interest from this smaller company class. Because of the response, we decided to invest another \$4 million in the fund for this fiscal year, after the initial response to the trial \$1-million program.

The export success fund helps cover the front-end costs of researching a new market, evaluating that market firsthand, modifying or repackaging the product and developing a merchandising program. Without such assistance many small firms would not be able to launch foreign sales efforts.

However, I should stress that the fund is not a giveaway. The criteria are stringently applied and activities carefully analysed. Additional funds were made available only after a follow-up on the benefits of the fund for the first 50 companies that received assistance.

The other program that is off to a great start is the new exporters to border states program; we call it NEBS. It is a low-budget program to help demystify the whole process of exporting for small-business owners. Several NEBS bus trips leave each month for two or three days in the United States. There the participants visit local consulates, chambers of commerce and customs offices and learn about export pricing, banking and appointing sales representatives.

The NEBS program is not an expensive one, but it addresses several of our major concerns about Ontario's foreign sales. First, we need to increase the export participation rate of our companies, since almost four out of five companies in this province still sell only in Canada. Since last year we have sent 88 per cent of our exports south of the border. Consolidating our gains in the United States is obviously of

paramount importance if our foreign sales are to continue to grow.

In the past year we have opened new offices devoted to trade development and attracting new investment in Boston, San Francisco and Philadelphia. These are in addition to five existing offices in New York, Los Angeles, Dallas, Atlanta and Chicago.

Fortunately we are gaining an increased share of the United States import market. The importance of a strong Ontario presence in the United States was underlined recently by our rejection of limitations on steel imports from Canada. In a joint effort by our international office staff, by staff in the policy and planning secretariat and by the steel industry itself we lobbied successfully and protected this huge market.

But as we know, the United States is not our only market. In the short term it is certainly our most important, but in a long-term sense we must continue to make gains in fast-growing markets such as those of the Pacific Rim.

Perhaps the most potentially profitable market of all is China. In June I led representatives of six Ontario companies on a business mission there. This was not the type of trade mission you go on to Europe, where success is measured in sales figures. Obviously China really belongs to the 21st century as far as major economic ties go. However, China is seriously committed to economic development, which involves absorbing foreign capital and technology.

All our mission members identified senior contacts for follow-up. We also helped increase Chinese awareness of the capabilities of this province. There are many areas of manufacturing where the Chinese could certainly use our expertise. Just a few are fibre optics, lightweight trucks, power generation and transmission, integrated circuits, coal storage and all forms of transportation.

However, it must be realized that joint ventures, coproduction and licensing agreements interest the Chinese more than straight product sales. This, of course, takes time and it definitely means that government and industry have to work together more than ever before.

With regard to specific plans, we are considering a twinning relationship with Jiangsu province, which has the highest industrial and agricultural output in China. We are also looking at expanding Ontario's presence in Asia, either by opening a new trade and investment office or by expanding one of our existing offices.

10:40 a.m.

At present we have offices in Tokyo and Hong Kong. As I announced last month, we plan to open one in Singapore. Subject to intergovernmental approvals, that could happen as early as spring 1985.

Singapore has one of the fastest-growing economies in the world, in terms of total activity and imports. Yet Ontario at present has only a very small share of that trade. This office should help us achieve significant gains.

In the first six months of this fiscal year our network of 14 foreign offices, including the European ones in Paris, London, Brussels and Frankfurt, helped Ontario firms generate sales of \$131 million, as well as assisted in the appointment of 510 agents and distributors.

In addition to these trade activities, what is now the international marketing branch organizes and leads trade missions and supports Ontario companies in trade fairs around the world.

Last fiscal year alone, there were 40 trade missions to 28 different locations. We also organized participation in 38 trade fairs in 21 foreign locations. A total of 650 Ontario-based firms took part.

Ontario's trade promotion efforts are designed to complement rather than duplicate the assistance offered by the federal government. We also have a close working relationship with industry sector associations and support them in their efforts to encourage more exporting by their members.

The Ontario government cannot make it happen alone. That is why our co-operation with the federal government and with industry is so important.

Especially in many developing countries, government-to-government contacts can really help our province's businesses to address this. There is also the Ontario International Corp., a nonprofit crown agency to help Ontario public and private sector clients tap the market for capital projects in developing countries. In the first seven months of this year OIC helped Ontario firms generate \$66 million in fee income and product sales.

In a compulsory five-year sunset review of the OIC this year, its operating mandate was renewed for another five years. It was also merged with the Ontario Educational Services Corp., formerly an agency under the ministries of Education and Colleges and Universities, which existed to promote Ontario educational and training resources abroad. The merger is a logical one since, in the competition to win

capital projects, the ability to offer personnel training programs is often critical.

Turning now to the industry division, I would like to explain its strategies and goals. It assists the private sector through advocacy and direct programming, concentrating on small business and industrial investment.

The importance of the small business sector to our province's economy is often underestimated. Firms with annual sales of less than \$2 million or with fewer than 100 employees provide jobs for well over a million Ontario people.

This key role in job creation was perhaps not obvious until the late 1970s. However, a recent study by the federal government discovered that between 1974 and 1982 firms with fewer than 100 workers accounted for over 60 per cent of the jobs created in this country. It is also worth noting that the small business service sector has been by far the most dynamic area, with an estimated 90 per cent of new business formations.

The majority of programs throughout the ministry are oriented to the needs of small business. However, the increasing economic importance of this sector prompted the creation of a separate branch. Because a prime cause of small business failure is inadequate planning, branch consultants counsel new entrepreneurs in enterprise formation.

We also help upgrade the competitiveness of small firms by offering financial, marketing, technological and production counselling by consultants with private sector experience. And we offer some financial assistance for such uses as the building of prototypes, and industrial design. Under this new product development program, we conservatively estimate that \$19 in sales is achieved for every dollar of ministry investment.

In addition to this assistance, the Treasurer (Mr. Grossman) announced the youth venture capital program in his May budget. This program, funded by the Board of Industrial Leadership and Development and cosponsored by the Royal Bank, Ontario chambers of commerce and the Ministry of Industry and Trade, provides for interest-free loans of up to \$5,000 to start new businesses.

It is expected that approximately 2,000 loans will be made up to March 31, 1986. My ministry and the chambers of commerce are also providing counselling to these entrepreneurs to help them succeed.

We are also developing an educational program for new and existing entrepreneurs to be broadcast on TVOntario. This small business—

Mr. Stokes: Did you hear the Canadian Broadcasting Corp. this morning?

Hon. F. S. Miller: I do not have television.

Mr. Stokes: They were not very complimentary about that \$5,000 loan for young people. They said they tried for five months to get an application form.

Hon. F. S. Miller: I think you will find it is just coming out now.

Mr. Stokes: It was announced last August.

Hon. F. S. Miller: I am bringing it out now. Once we have it in place, Mr. Stokes, you know—

Mr. Stokes: I just thought you would like to know that CBC was talking about it this morning.

Hon. F. S. Miller: —Lake Nipigon riding will undoubtedly get a lot of it and we will help you do it. With the cutbacks in that CBC operation, perhaps some of our first loans may be going in that direction.

Mr. Stokes: We will not know anything about your shortcomings at all if they cut back.

Mr. O'Neil: They will be too old, too.

Hon. F. S. Miller: This Small Business Academy, to be shown in 10 half-hour instalments over two years, could reach up to 200,000 people right across the province. We estimate that, of that number, as many as 10,000 could enrol for the accompanying course. This is a cost-effective way of delivering management knowhow to clients. If you go back in history, I guess the real reason for having TVO in the beginning was to bring that kind of education to the people.

I should emphasize that, because our network of 18 local offices spans the province, our services to small business are available throughout Ontario. Along with their valuable tasks of advocacy and counselling, these offices also form a network with our foreign offices. Through any provincial field office, a client has access not only to government services, but he or she can also take advantage of Ontario's international links around the world.

Turning to industrial investment, one of our major achievements this year has been attracting two major automotive investments to the province.

The first is the Honda plant in Alliston, where construction will start in early 1985 on a \$100-million assembly facility. At peak production this factory will employ about 350.

Then there is the American Motors-Renault car assembly plant in Brampton, which will begin producing intermediate-sized cars in the

1988 model year. The state-of-the-art facility will cost \$764 million in this year's dollars, including federal-provincial funding. At peak production by 1990 it could employ as many as 1,800 people in assembly and an equal number in parts supply operations.

The Honda investment, along with the Mitsubishi purchase of the RCA plant in Midland and the Tokai Seiki disposable lighter plant in Uxbridge, illustrate the continuing interest of Japanese business in investing in Ontario.

We are hopeful that our efforts to attract significant investment from abroad will be reflected in other commitments in the near term. Attracting foreign investment to Ontario is an ongoing process of contacts, information, target marketing and thorough follow-up. This process reflects the joint efforts of our foreign offices and our investment people to create an awareness and appreciation of Ontario as a strategic location in which to do business.

So far this year, our ministry has assisted 22 plants which are now in operation, totalling \$42 million in investment. We have also helped attract 18 new plant commitments, two of which are Honda and American Motors. The total funds committed this year are almost \$900 million.

10:50 a.m.

Another valuable source of both entrepreneurial skill and equity is the new Canadian. Our immigrant entrepreneur program helps foreign business people establish themselves and their capital in Ontario. A sampling of 31 new Canadians assisted this year indicates an average investment of \$200,000.

The industry division will also administer the new automotive parts investment fund, which I announced just last month. Financed by BILD, this \$30-million, three-year fund will encourage parts suppliers to modernize their plants, retrain staff and develop new products.

The automotive parts industry employs nearly 60,000 people in Ontario. In order to remain competitive, many suppliers need these repayable, five-year term loans to maintain and increase sales and to become competitive in the world market. This is a major and necessary industrial restructuring initiative.

Turning to our efforts in the domestic market development, we see three challenges and opportunities for Ontario manufacturers. They are our current and persistently large deficits in fully manufactured goods, the \$1.5 billion the public sector imports annually, and the lower level of tariffs as a result of the General Agreement on Tariffs and Trade negotiations.

To reduce the high import level in manufactured goods, the industry division helps manufacturers replace imported products through joint ventures, licensing agreements, sourcing, domestic trade shows and film location services. To date in 1984-85, the Ministry of Industry and Trade has achieved \$169 million in import replacement and \$61 million in film and video production.

The latter may be surprising, but it is in our ministry and is a very real growing business. You will see more and more films being made in Ontario.

Through good luck, I saw one about Ned Hanlan done in Muskoka recently—was it called *The Boy in Blue*? The impact of a film on a town the size of Gravenhurst is unbelievable. They hired something like 400 extras for example; they spent tens of thousands of dollars on sets, and rented all the hotel rooms in the area—just about everything—for about six to eight weeks, and there was very good impact.

Mr. Stokes: Did they use Santa's Village as a location?

Hon. F. S. Miller: No, they did not. They used the Gravenhurst bay and the Seguin. They came to Muskoka because of the Seguin, if you know the old steamer there. The Seguin was the essential moving, irreplaceable part of the deal, and that brought the business to the town. They simply needed that. The rest they managed to make look like Toronto's Centre Island. It worked out very well.

I do not own Santa's Village any more, Jack.

Mr. Stokes: Oh, you do not?

Hon. F. S. Miller: No, I have not for four years now.

Mr. Stokes: You are divesting yourself of all—

Hon. F. S. Miller: I do not have a thing left, just—

Mr. Stokes: No toys left at all?

Hon. F. S. Miller: No toys, just—no, do not trap me—

You can still come. You are still welcome each year, as you always have come.

Second, we are directing our efforts at public purchasing bodies to ensure that industrial development and job creation benefits are maximized in Ontario. The institution of a Canadian preference policy has resulted in an estimated \$25 million of additional domestic purchases.

I am going to digress a bit from my copy. If you look at the figure of \$1.5 billion of public sector imports annually, that is one that really

bothers me tremendously. I think we have to look at the purchasing by school boards, by hospitals, by municipalities, who so far have been really unwilling in most cases to have a Canadian preference—not an Ontario preference, but a Canadian preference—whereas the provincial government has had that Canadian preference.

I think we have to do a major selling job in order to make the public purchasing bodies realize that if they are using tax dollars to run their operations they should be looking at Canadian services where available. I think that is going to require that all of us put some pressure on them.

Mr. Stokes: One that comes to mind are school textbooks.

Hon. F. S. Miller: Yes, there are many examples. I have had a couple of shows, and I think the Treasurer had a show some years ago out west, along with other health ministers at the time, to show the hospitals of Canada just how much Canadian content there could be for the supplies they buy. It is in our interest to make that happen.

The global product mandate promotion unit is now also in full operation. The promotion of global mandates will enable Ontario subsidiaries of foreign multinationals to reach the economies of scale they need to stay internationally competitive.

Again, I will digress. The ability to get companies like IBM Canada Ltd., Xerox Canada Inc., and many others, to go to a global product mandate—that is, where they make the product exclusively in Canada for the world—is greatly affected by the previous issue, the amount of purchasing directed towards the Canadian market. If you require purchasing of Canadian content, you will find them more willing to have a Canadian mandate.

This brings me to the new innovation and technologies division which, in a sense, provides indispensable resources for the other two divisions. Our export sales will not continue to increase and our industries will not thrive unless we make every effort to keep up with advanced technology.

In the battle for world markets, our industries will lose out unless we continue to close the technological gap between us and nations which have adopted these technologies earlier, or which are investing in them at a greater rate than we are.

The six technology centres around the province are in their second year of operation and continue to be the focus of this new division. They are: the Ontario Centre for Microelec-

tronics Technology in Ottawa; CAD/CAM, computer-aided design and manufacturing, in Cambridge; the robotics centre in Peterborough; the Ontario Centre for Automotive Parts Technology in St. Catharines; the Ontario Centre for Farm Machinery and Food Processing Technology in Chatham; and the Ontario Centre for Resource Machinery Technology in Sudbury.

This fall, cabinet also approved a new satellite centre for advanced manufacturing in Windsor. It will serve the automotive parts and related industries.

The existing six centres are actively working towards the objective of recovering 50 per cent of their operating costs from client fees within five years. This underscores the need for these centres and the valuable service they are performing in helping Ontario industry become more competitive.

Last fiscal year, the centres signed 180 contracts worth \$4.3 million, and in the first half of this year alone they have signed 242 contracts worth nearly \$3.3 million.

For example, a Mississauga packager of products for the meat processing industry had CAD/CAM centre consultants evaluate various software and hardware systems available for its data processing requirements. The study resulted in the purchase of a highly satisfactory new system.

Also, engineers at the robotics centre helped a manufacturer of plastic and rubber household and automotive products by doing a feasibility study on productivity improvements through the use of robots.

We discovered that although we aim at middle and small companies, there are still large companies using the centres, and I think that is encouraging. We assume those companies have the competence to do some of these things.

When I was in the robotics centre for my first visit, one of the experiments being done was for General Motors. I would have thought they had all the competence in the world in robotics, but they needed a specialized job done. My attitude is, thank goodness a Canadian company supplied the robots; a relatively small company in Windsor had that competence. That may not be totally right, but I think it is. I believe it is a company called Clay-Pearce.

The centres' five-year business plans are regularly reviewed and updated, and effective administrative and financial relationships have been designed. Now that it has division status, the direction of innovation and technology has

progressed beyond co-ordinating the activities of the centres.

11 a.m.

Also reporting to the innovation and technology division is Innovation Development for Employment Advancement Corp., IDEA, an Ontario crown corporation.

As of September of this year, IDEA has committed about \$38.5 million through six funds. Two are pre-venture capital funds for emerging technologies which require development through prototypes and market testing before they can be offered as investment opportunities. The other funds are used to work with private investors in venture capital syndications.

The Ontario Research Foundation also reports to this division. It continues to use its years of accumulated experience to help Ontario manufacturers take advantage of high technology. Last fiscal year more than 2,000 clients used its assistance.

This means that the ministry is now fully co-ordinating the activities of its agencies in the area of innovation and technology. These range from the pre-venture capital investment of the IDEA Corp. at the research stage, to the practical help provided by the Ontario Research Foundation at the product and process development stage, to the shop floor assistance given by the technology centres in the application of manufacturing technology.

The division now serves as a centre of technological leadership. It is using the practical experience gained through operating its agencies to accumulate specific technical data which the government can use in the creation of policies and through which it can identify the problems impeding the rapid development of technology and its application. The division also acts as a mechanism through which government interrelates with the private sector in an ongoing dialogue on technological issues.

So far this fiscal year, the division has released two major papers dealing with opportunities and problems on which the Ontario government can take action.

The first study, entitled *The Technology Challenge: Ontario Faces the Future*, is a discussion paper dealing with the current development in such technology as advanced manufacturing and opto-electronics. It analyses how Ontario's public and private sectors can co-operate to develop more effective strategies.

The second study, *Ontario Software Industry: Challenges and Choices*, analyses the Ontario

software market, now worth more than \$600 million in annual sales.

In summary, the innovation and technology division has a mandate to promote the use of advanced technology and assist industry in applying it to develop new products and processes. It has a major role to play in helping the government create an environment where new equipment and new products can be developed.

The three Ontario development corporations make a significant contribution to regional development and the growth of industry in applying it to develop new products and processes. It has a major role to play in helping the government create an environment where new equipment and new products can be developed.

The three Ontario development corporations make a significant contribution to regional development and the growth of small business by providing service and financial assistance to entrepreneurs in all parts of Ontario. Last year, more than half of all loans and guarantees for both industrial projects and tourist operations went to businesses in the less developed regions of northern and eastern Ontario. Regional development was further encouraged through two federal-provincial programs that provided forgivable loans only to companies undertaking projects in eastern or northern Ontario.

At the end of March 1984 the development corporations were providing financial assistance to 2,300 companies. These companies had a total of 40,000 employees when they first approached the corporations for help. They now have 69,000 employees. With the help of ODC's counselling and financial assistance, these small businesses have grown four times as fast as a comparable group of companies without this assistance.

This year, the development corporations have initiated a pilot program to make financial assistance more accessible to the new entrepreneur who needs a small amount of cash to get a new business going. The program is called HELP, the help for entrepreneurs loan program. According to the feedback I have been getting, it really fills a need among enterprising men and women who want to start businesses of their own.

I will digress again for a second. That was a result of a review of procedures in ODC and of the kinds of comments one gets as an operating member about the very small loan. From the point of view of the applicant, the very small loan was often too complex to get, took too long, and very often the amount of information required seemed to frighten them away.

If I recall my statistics correctly, in this experiment the ODC is running, they have cut the total documentation and application paper from 40 pages to four and the time frame from six months to six days. In other words, at the end of six days you have either your money or a refusal.

That has been a really dramatic change. We are talking about loans under \$20,000, as I recall. It is one of those rare cases in which I, as a minister, have been receiving letters. I do not know whether you, as members, have heard from many people in the areas affected.

It was an attempt to see whether you took a high risk; whether we were not asking for a lot more documentation than was needed. I asked what we really get if the little business goes bankrupt? Nothing, in most cases. Therefore, why have all the chattels? If there is nothing to pick up, why have the red tape?

We think the change is going to work and, if it does, we will probably be blending it in across the province as experience tells us.

Mr. O'Neil: How long have you had this program?

Hon. F. S. Miller: I would say about five months; I am guessing right now.

Mr. Croll: It has been about that.

Mr. O'Neil: What is the interest rate?

Hon. F. S. Miller: It would be the normal rates the ODC charges at any point. There are several; they vary from time to time.

In effect, all the entrepreneur is doing is asking for a loan under \$20,000. It is approved by the case worker. It is almost like dealing with your local banker. He has a limit; he can say yes or no himself to a certain point. That is what the case worker can do.

Mr. Lane: Is it province-wide or just in those areas?

Hon. F. S. Miller: It is currently in six areas as an experiment—to see if it worked; to get the glitches out. Is that right, six offices?

Mr. Croll: It is currently in—

Hon. F. S. Miller: You had better come to a mike. I should not have stopped in the middle of my statement, but this is of interest. This is Andy Croll speaking.

Mr. Croll: Excuse me for interrupting your opening remarks. It is a pilot program that has run in two offices. We have now extended it to a number of others that are in various stages of implementing it.

The minister is quite right; the experiment has been going for four or five months now.

Mr. Stokes: Where are the offices?

Mr. Croll: It started in the London office, the second was Hamilton, and we have now extended it to the others. All the offices are in various stages of implementation. As the minister said, it is a pilot program and we are learning as we go.

Mr. Stokes: Just within ODC's purview or in eastern regions as well?

Mr. Croll: It is in the north and east too.

Hon. F. S. Miller: We think the chances are very good. We can get into the details as we get to ODC.

I just wanted to stress it was an attempt to fill one of the most vital markets, as I see it, from ODC; the very small business person who often wanted \$1,000, \$2,000 or \$5,000 and said, "The system was not designed for me, but for somebody who needs \$100,000." The system required the costs of obtaining a \$100,000 loan to get the small amount.

I think I owe my ODC staff a lot of credit for doing this. I have very strong feelings about that market group.

Mr. McKessock: I think it often was not the applicant who was saying it was not for him, it was the ODC that was saying there was nothing.

Hon. F. S. Miller: I think the system frightened the smallest applicants. If you were sent home with the information we needed, or your lawyer talked to you, you might have concluded that you could not meet the requirements.

What we are now basically saying is that there is a personal judgement made: Does this person's plan look sensible; does he or she look like a person who knows what he is doing; am I taking a reasonable credit risk in giving this loan? I think those are the essential aspects of looking at a small-business person. Do you think he is going to make it?

It is a lot more subjective, but it is less cumbersome than any system that tries to talk him into more and makes you look at paper instead of a person. If it was not that way, it has become so through my pronouncement.

Mr. Stokes: You are hoping they heard well.

Hon. F. S. Miller: I think we have talked about this enough that the staff and I are pretty much ad idem, as my legal friends would say.

11:10 a.m.

Another aspect of ODC's role I would like to touch on is their involvement in program delivery on behalf of other ministries. While these

program funds are not included in my estimates, I think it is appropriate to talk about them now because the success of the program depends so heavily on the efforts of the people whose salaries you are being asked to approve today.

The BILD-funded tourism redevelopment incentive program, which is a loan guarantee program—one I am proud to say I initiated as Treasurer—has been very important in expanding and renewing Ontario's tourism industry.

Mr. Stokes: Larry talks about the part you played all the time when he goes up north.

Hon. F. S. Miller: I am always glad to have sales people out working on my behalf.

Mr. O'Neil: He does not mention your name though.

Hon. F. S. Miller: He does not need to in the tourist industry.

BILD's tourism grading assistance program has been a boon to many family-owned tourism operations. The high technology loan program and the export support loan fund have both benefited from the combination of ODC expertise and BILD funding. Finally, Northern Affairs' new northern Ontario regional economic development program is being handled by the Northern Ontario Development Corp. staff.

Mr. Stokes: You should have included the economic and regional development agreement too, which was just signed yesterday morning.

Hon. F. S. Miller: I am not sure whether the funds are under us or not.

Mr. Stokes: I mean the co-ordination.

Hon. F. S. Miller: This was written before yesterday. That is one of the problems.

Mr. Stokes: It is \$44 million, if you would like to know.

Hon. F. S. Miller: That is \$44 million for forestry.

Mr. Stokes: No, for tourism.

Hon. F. S. Miller: Okay, wait a second. There was one announced this week that was \$75 million times two for forestry.

Mr. Stokes: This ERDA was signed yesterday morning.

Hon. F. S. Miller: I sent out for information on that today. As a tourist operator I want more details.

Mr. Stokes: I will get it for you.

Hon. F. S. Miller: Thank you very much.

Mr. Chairman: We all have to have friends in high places.

Hon. F. S. Miller: Today I have outlined for you a fairly complete account of my ministry's activities. We are assisting economic growth in the private sector in various ways, whether it is through traditional advisory services to small business or by a new determination to capture more global product mandates for Ontario subsidiaries of multinational firms. We are firmly committed to the use of advanced technology in many areas. At the same time, we believe the boom in the small business service sector offers at least as many opportunities.

We are opening more international offices. One of the main reasons for this is that we want to ensure that every client in each local field office can tap the enormous potential of foreign trade anywhere in the world. It is a large task, but I believe I have demonstrated to you that my ministry is having a positive impact upon the economy of this province. In the months ahead, if we sustain this momentum, we will come closer to having our present goals become achievements.

That is the end of my statement. I assume my critics would like a chance to speak too.

Mr. Chairman: Thank you. Following tradition, now would be an opportune time to hear the critics of the two parties raising issues of a general nature with the minister. We will get into the specific votes a little bit later on.

Mr. O'Neil: Mr. Chairman, first—

Hon. F. S. Miller: I will be right back, Mr. O'Neil.

Mr. O'Neil: Would you like me to wait for you?

Mr. Chairman: Okay, Mr. O'Neil.

Mr. O'Neil: Mr. Chairman, as mentioned, we thank the minister for his statement. On behalf of the Liberal Party I will be fairly brief. We would just as soon get to the different votes and have questions on those different sections.

I should mention that I have just taken over as critic of the Ministry of Industry and Trade from Mr. Sweeney, who did a very good job. I am just familiarizing myself with different aspects and sections of the ministry.

The minister mentioned some figures in his statement; of course, some of those for the export business do look quite rosy. He talked about unemployment and economic growth within the province itself.

However, one thing that is of concern to us in the Ontario Liberal Party is that you and your government are riding along with a general increase in exports that a lot of other countries are

also experiencing. Things have certainly turned around in the United States. Because of that and the amount of trade we have with that country, our exports have increased. Along with those exports, jobs have also increased.

I would like to have your comments on the projections you have for 1985. That is of concern to us.

A lot of the different boards are talking about unemployment increasing. They are talking about some of the trade figures you are talking about possibly dropping. As a whole, we see that some of your rosy pictures may not continue at the same rate or with the same projections you have been speaking about. We would be interested in hearing about that.

I am quite interested in your comments on small business. One of the areas we have talked about in past estimates and had questions on in the Legislature has certainly been about the help that we feel should be going to small business. I compliment you on the new help for entrepreneurs loan program, HELP, but I must say that it has not been widely advertised in some parts of the province, or widely publicized among the members.

I would like to zero in on the Kingston office of the Eastern Ontario Development Corp. I know that not only I, but members from your party and the New Democratic Party in that area, have a lot of inquiries from small business people. I would like to receive additional information on HELP, not only for myself but for our members. I imagine some of your members will ask questions this morning. They also need that additional information.

It would also be quite useful to have your different offices—speaking for eastern Ontario, perhaps they could do a little advertising as to just what EODC consists of and what the Kingston office is prepared to do to help people in the small business sector.

Talking about eastern Ontario and the Ontario development corporations, you may recall that about a month ago I raised a question on the special concerns of northern and eastern Ontario as to the amount of money, or lack of it, that was going to both those areas. At that time, you mentioned it was because of the lack of demand.

I notice in the budget for the Ontario development corporations there have been cut-backs of a considerable size in the amount of money that the corporations have loaned out in this province. Perhaps we could have your comments on that.

11:20 a.m.

We will also be looking at the concerns I have pointed out as a member. I know all members have them. You talk about the number of jobs you are creating, but we are having put to us—perhaps not every day, but almost every day—the matter of student unemployment. I think sometimes we emphasize the student area too much instead of looking at the people in the 40-to-60-year-old range who are also unemployed or who have been laid off. They are looking for some type of skills training or just looking for jobs.

I feel we are still importing a lot of employees from outside this country. I would like the minister to comment on how he thinks we can possibly correct that. I know the community colleges and many other institutions are trying to do what they can, but I still believe we are importing more employees than we have to.

As I mentioned, in some cases students and older people come to us and say, "Industries are going outside the country to hire these people when we would love to be taken on, even in an apprenticeship program, by some of the larger companies."

I mention one company in my riding, the riding of Quinte, Northern Telecom, in the Belleville area. It went outside the country to hire people, yet many young people would like to be hired at that plant or at other plants on the basis of training on the job, even at lesser salaries than would be paid to non-Canadians.

We will be asking questions about the IDEA Corp. I know there has been a bit of a shake-up in the management of that company. We will also have some questions about the money that has been allotted to it by the government and whether it is being well spent, from premises right down to salaries and things along that line.

I also came across a very interesting article based on a speech by Mr. MacDonell. I found it quite informative. There are a few things in there I would like to ask questions on too—the minister touched on them this morning—basically about the amount of export business we have with the United States and how he is trying to develop some business with other parts of the world, which I think is the right approach to take, trying to expand and putting more of that business into the hands of employers who have fewer than 100 employees. Again, I compliment the minister on this and would like to receive a little more in-depth information on how he proposes to do it.

I mentioned industry, skills training, development corporations and the percentage of world

trade. I am also interested in the fact that the minister said he has a target of \$60 billion to reach by 1987 and in the accomplishments he has made so far. I wonder whether he really feels there will be a slowing down of the economy and, if so, how it may affect those areas he would like to reach with the \$60 billion.

I know that the member for Prince Edward-Lennox (Mr. J. A. Taylor), who is the minister's parliamentary assistant, has been doing quite a bit of travelling on trade delegations. I for one would like to know a little more about the trade delegations he goes on, some of the places to which he has travelled, how he approaches these different countries to get their trade, something about the operation of his offices and the expenses that have been incurred in those different offices.

I would be remiss if I did not put in a little plug for eastern Ontario. The minister has mentioned that he is not getting a demand from there, but as a salesman he knows that if there is a part of the province where you would like to see a little more development, you do not wait for people to come to you. To have something happen in those areas, you really have to go after them and see if there is something you can do to steer some of that industry and business to northern Ontario or to eastern Ontario.

I have not had the opportunity to visit the technology centres. I know the member for Kitchener-Wilmot (Mr. Sweeney) visited several of them, and I hope that after the House finishes some time in December I will have a chance to visit some of them too, maybe in early January or February. If possible I will co-ordinate the visits through your ministry. Perhaps it would be of assistance if I, and maybe some of the research people, have a look at them.

I will close with that. I would rather see some of the time left for questioning under some of the different votes.

Hon. F. S. Miller: Mr. Chairman, do you want me to respond to that or do you want me to wait till the end?

Mr. Chairman: Why not wait until Mr. Stokes makes a few remarks and then maybe you can respond to both of them at the same time.

Mr. Stokes: First I must apologize to the chairman, members of the committee and others in the room. It was my understanding that Mr. Foulds was going to be here today. I learned at about 10:25 a.m. that he is not going to be here. I do not know whether he has made any arrangements with you to make his opening comments at a later date. If he has not done that—

Mr. Chairman: No, I am afraid he has not.

Mr. Stokes: —I will make some initial comments based on my limited knowledge of this ministry and the opening statement made by the minister.

I want to start by getting into the philosophical approach you take to your responsibilities to foster economic growth and to broaden the economic base of the province, particularly in areas that are lagging behind. Mr. O'Neil from Quinte has touched on a couple of the things I think need some rethinking with respect to what role your ministry and agencies of your ministry can play to foster that kind of growth and development.

I have the same apprehensions he expressed, because it is a chicken-and-egg kind of thing. To achieve the goal we all hope for, do you wait to have knocking on your door people who are interested in investing, in manufacturing something and, in the process, creating jobs? Or do you, along with your experts, decide that there are advantages, based on a variety of criteria such as the availability of basic resources that can be transformed into a finished or semi-finished product, and in the process of deciding, achieve that goal?

I do not have the figures, although your development corporations provide me with an analysis on a monthly basis, but if you make a comparison between the amount of those loans and the dollar value attributed to the Ontario Development Corp. as opposed to the Eastern Ontario Development Corp. or the Northern Ontario Development Corp., you will see a wide disparity or an imbalance.

To be fair, I suppose one should expect that, because 90 per cent of the people live south of the French River, the domestic market there is much greater and, therefore, the opportunities are correspondingly larger.

11:30 a.m.

You will know that at least 75 per cent of the population lives in the larger urban centres and that trend seems to be continuing. We have a lot of geography. We have a lot of economic activity in those areas of the province in which things are much handier and transportation costs lower. People tend to be attracted to the major markets where services generally are more readily available.

However, I have never been able to figure out why, when you take all of the components that go into making a successful business operation, it always seems to mean, in the final analysis, that it is more advantageous and profitable to locate in

the region we often refer to as the Golden Horseshoe or the Golden Triangle.

Let me give you an instance. Several years ago Kimberly-Clark of Canada located in Terrace Bay, and it has a corporate tie-in with Spruce Falls Power and Paper Co. in Kapuskasing. They both produce wood pulp, just the first stage in the processing of wood fibre, and they ship it to a company-owned plant in the United States or to a processing plant.

Hon. F. S. Miller: Huntsville.

Mr. Stokes: That is right. As a matter of fact, I am using that precise walnut to bolster my argument.

They had \$40 million to spend on a tissue processing plant somewhere in Ontario and at that time Rene Brunelle was, I believe, the Minister of Lands and Forests. The president of Kimberly-Clark of Canada was a man named Carruthers.

We knew they had this money to invest and so it was in Rene's interest, representing Kapuskasing, and in mine, representing Terrace Bay, to see they invested that money to broaden the economic base, take advantage of the ripple effect and create jobs.

There were 100 jobs involved and Rene and I sat down with Mr. Carruthers and asked, "What do we have to do, what kind of sweetener would we have to come up with, to get you to build that plant in Terrace Bay or Kapuskasing?"

He said: "There is nothing you or government or anybody else can do to convince us that we should process that wood fibre and make it into tissue products much closer to the source of the raw material." He said, "All the ingredients dictate we build it somewhere in southern Ontario or relatively close to it." As you know, they chose Huntsville.

I have nothing against Huntsville, but it seems to me that if we are ever going to increase the opportunities for broadening the economic base and diversifying the industrial plant in northern Ontario, that is precisely the kind of thing we can look to.

What they do is cut the tree down, make wood pulp out of it, and ship it to Huntsville. Freight rates being what they are, there is quite an expense involved in getting that wood pulp to Huntsville. Then they process it into tissue.

They send a good deal of that production back to places like Terrace Bay, Kapuskasing, Timmins, Sudbury, Thunder Bay and many points in western Canada, yet we could not convince him it was a wise move to spend that \$30 million to do

that processing right on the doorstep of the resource.

I get back to my original dilemma. That is, when the government designs programs, whether it be under the auspices of the Board of Industrial Leadership and Development or the development corporations, what do the minister and his experts see as the most inhibiting factor in attracting new growth, new investment and new jobs to places like eastern Ontario that the member for Quinte (Mr. O'Neil) is interested in, and to those areas of the province north of the French River?

As you know, there has been a mass exodus from Sudbury as a result of unfavourable mineral markets. The recession started in late 1981 and continued through 1982. If we look at what Inco and Falconbridge are doing, we see they are cutting back their production even further.

If we are going to sustain communities like Sudbury and Sault Ste. Marie, we are going to have to come up with new and innovative ways for the minister to intervene. He is an interventionist, even though he says he is not. He thinks the free market forces should be allowed to work their way through and all will be well. But, he is an interventionist of the first order and this dissertation that he—

Hon. F. S. Miller: Do not destroy my public image.

Mr. Stokes: —shared with us through some 30 pages is just replete with ways in which he contrives to stick his nose into the free market forces.

I am not criticizing him for that. I wish he would do more of it. But, the thing is, he continually tries to create the illusion that he is really not doing anything at all. He is just—

Hon. F. S. Miller: Jack, you have been creating the other illusion.

Mr. Stokes: He is doing it. I applaud him for it. Just call it by its proper name. It is a joint venture. It is the government that is stepping in, filling a void or providing the necessary impetus to foster and to encourage this economic development.

That is the way in which the minister should be doing it, but for purposes of my argument, I would like him to expand if he will on his people in the IDEA Corp. or in the two older development corporations. Obviously his people must be just as concerned and must have done an analysis of why we do not have the kind of investment, the kind of diversification we need in places like Algoma-Manitoulin or Timiskaming or literally everywhere north of the French River.

11:40 a.m.

We do not have all the answers and you do not have all the answers. However, I think we have a collective responsibility to rethink those programs and come up with ideas that we can try on for size to indicate to those people that we realize there is a problem. I do not think we want everything to be within a 75-mile or 100-mile radius of Metropolitan Toronto. That is not what Ontario is all about.

I do not think we want people in northern Ontario to continue to be hewers of wood and drawers of water so that as long as there are resources in the north we can extract them at the least possible cost and ship them down to the golden triangle to further accelerate and perpetuate this mania people have for locating everything within a few miles of Metropolitan Toronto.

One sees what is happening to communities like Ear Falls. I am sure you have been made aware of this. Stelco has chosen to close down operating the Griffith mine only because it can get the ore cheaper elsewhere as a result of consortiums it has entered into, some with the other two major steel manufacturers, Dofasco and Algoma Steel. That "elsewhere" is not in Ontario or Canada.

You will know that at least 50 per cent of their iron ore requirements are purchased through partially or wholly owned subsidiaries located outside this country. That must be of some concern to an interventionist like you. There comes a time when you have to sit down with Stelco and say: "It is not enough for you to say you are a good corporate citizen. You must demonstrate it."

I am sure that from travels over the years, and perhaps even more recently in association with your present aspirations, you know that the community of Ear Falls was for all intents and purposes created by Stelco. There is a bit of wood harvesting activity and those engaged in that type of work are domiciled around Ear Falls. They are cutting out what was in excess of 500 jobs. Since they reduced their operations to between 55 per cent and 60 per cent of capacity, they are currently down to 280. Those jobs are going to disappear and there will be the ripple effect of that kind of activity.

That decision by Stelco is going to affect literally everybody in Ear Falls and to some extent, businesses in Thunder Bay, Dryden and Red Lake. It is going to have a profound effect on the total economy of that part of the province. I do not think we can allow that to happen.

I know the Premier (Mr. Davis) and the Minister of Northern Affairs (Mr. Bernier) have said, "We want you to sit down and rethink your decision and perhaps you should delay the closure for 18 months to two years." That is fine and dandy as long as the government is going to do something about it and going to try to come up with some ideas as to how they can make it more viable. I think it is important to get a company as significant to the Ontario economy as Stelco to put into practice the impression or illusion it tries to create that it is a good corporate citizen, because that company is not penurious.

When we had this problem about the imposition of quotas or some other constraints on the export of Canadian steel into the United States market, it was the same battle we were facing with our lumber manufacturers in Canada. When we looked at the productivity picture of a company such as Stelco vis-à-vis that of the major traditional steel manufacturers in the United States, we fared very well, thank you.

We do the same thing with auto manufacturing. The minister quoted the figures in his opening statement and said this is a very important and significant amount of exports to the United States because of our ability to be as productive in the automotive industry as we are in the steel industry.

It seems to me we need to reverse the trend of closures such as the Griffith mine and Black and Decker. Even more important, I think, with respect to pronouncements the minister has made during the past few months, is that when the future of a company such as de Havilland was brought into question, the present administration in Ottawa, if you believe everything you hear, said it is interested in divesting itself of these crown corporations, profitable or unprofitable. That is going to have a profound effect on the aerospace industry in Ontario and in Canada.

The minister has been quoted as having said that if the previous administration in Ottawa was going to sell off or withdraw its support from companies like Canadair and de Havilland—particularly de Havilland, since it is located here at Downsview—he would not want that to happen and he would make every effort to see that it did not happen.

I do not know what Sinclair Stevens and Brian Mulroney have in mind, but if they carry out their threat to reduce the number of crown corporations and try to sell them off at bargain-basement prices, that is going to have a profound effect on our relative position within the aerospace industry and on the economic base. It is almost shades

of the Avro Arrow, which took place with McDonnell Douglas several years ago. I thought that was a mistake at the time on the part of John Diefenbaker; I still think it was a mistake.

11:50 a.m.

I think the minister, being the interventionist he is and being the pragmatist he is—that is, bringing in things that work, filling a void, taking the initiative where others are unwilling, unprepared or unable to do so—is the man who can do that sort of thing. If he should ever be successful in becoming the next Premier of this province, I fear that his basic philosophical bent will go down the drain, because he is going to be more preoccupied with a sort of umbrella or an overview. I am not a bit hesitant about passing out kudos wherever I think they are warranted, and one I want to pass out to him personally concerns his brief stint as Minister of Natural Resources. He was on the right track. He did not just listen to the bureaucrats here in the ivory tower. He got out and found out what was going on in his ministry throughout the province.

I know dedicated professional foresters who still talk about Frank Miller. They ask, "Where the hell is Frank Miller now that we need him?" I share the sentiment they express. The present incumbent in that ministry has never met a good many of the people you sought out, sat down and talked with on an informal basis. I do not want to say the bureaucrats would not have got to you, but I happen to think, being the independent thinker you are, that you could have turned that situation around.

If you ever become, I was going to say the first citizen in this province, but I suppose from a protocol point of view you would be the second citizen in this province, if you are successful, and the polls seem to indicate you might be, I hope you will take enough time from responsibilities as leader of the party and government to continue to be an interventionist whenever it is necessary to do so. I hope you will take a no-nonsense approach to development and call in the Stelcos and the Black and Deckers of this province and tell them you think they can do a better job.

I want you to talk to your people in the development corporations and see if you can find an answer to the question I posed earlier of whether people in eastern and northern Ontario are totally bereft of any ideas—and the only way they are going to get a piece of the economic pie is to get some of the available dollars within existing programs—or whether the programs that exist are not specifically designed to foster the

kind of development we think is possible in northern and eastern Ontario.

I want to echo the sentiments expressed in your opening comments concerning the potential for expanding our export markets to areas such as the Pacific Rim. I had the opportunity to visit Japan for two weeks not too long ago and I met with some leaders in the private and public sectors, and what would have been the equivalent of the Canadian Manufacturers' Association, the boards of trade and some of the banking people.

It is a tough market. It is going to require all of the understanding and all of the sophistication we can muster to convince the Japanese that there is opportunity for joint ventures and there is an opportunity for them to buy more of our finished products rather than importing everything in its raw form to their shores.

Their plants are located on tide water so they do not need a huge transportation network. Because they import the raw material to a port located on the Pacific and they do not have to transport it hundreds of miles to interior plants, they have a tremendous advantage over us.

If you look at those publications that come out every month, you see the way they are trimming us 10 ways to Sunday in their ability to transform raw material imported from offshore and create millions of jobs based on the raw material they import. They are so successful at it that if their unemployment rate ever got to three per cent, they would think that was a disaster.

We are trying to get our unemployment rate below double-digit figures and you think we are doing a heck of a good job. When we look at a resource-starved country such as Japan being able to boast of that kind of economic activity and to produce finished products and compete very well in world markets, we have a lot of lessons to learn.

I know it is a mistake to make a direct comparison because of the compactness of their country. They are not looking at manufacturing a product in Halifax or Vancouver and sending it 3,500 or 4,000 miles just to deliver it even to a domestic market, but we can learn a lot of lessons.

Singapore is another one. I am not going to give a lesson; I am sure you know the figures better than I do, but when I visited there, I was absolutely amazed at the number of boasts or claims they could make to being world leaders or near the top in the manufacturing of things such as oil rigs. They have no indigenous raw materials; they import some of them from

Malaysia, and the rest literally come from all over the world.

Singapore is a city state with a population roughly equivalent to that of Metropolitan Toronto, with a geographic area of the same proportions as Metropolitan Toronto and yet when one looks at the economic activity that goes on in that city state one wonders if we cannot learn some lessons from the experience in the Pacific Rim.

12 noon

I was interested to hear you say something about your experience in China. They are not taking the same approach as in Singapore and Japan at all. In large part, what they are interested in is getting skilled people and skilled technology to use their own resources. From their point of view, that makes a lot of sense.

However, we can make a contribution literally everywhere in the Pacific Rim, even in Korea. We can provide jobs for our people to assist in training those people to give them the ability to produce something they do well, to create the dollars to buy the things we can do better. I was interested to hear you say you had taken over that responsibility from the Ministry of Colleges and Universities.

It is a complex world we find ourselves in. However, with people like yourself, if you can apply the same diligence that you seemingly did in the Ministry of Natural Resources, I can see that this ministry, more than any other in government, has the mandate and the people to do the job we all wish you to do.

Finally, one other word in the matter of kudos. I had a call from a chap named Chan in Thunder Bay recently who wanted to invest some money in Marathon, which I guess is the fastest growing community anywhere in Ontario as a result of the gold mining activity at Hemlo. Mr. Chan wanted to start a business in Marathon. He did not have all the capital he required, but he had a friend in Hong Kong who did.

His friend in Hong Kong had to convince the immigration authorities in Kowloon that whatever idea he had and whatever capital he had were going to be put to some use for the expansion of the economy of Marathon. I found out that the Department of Employment and Immigration in Kowloon looks to your ministry. Is it through the international development corporation?

Interjection: It is probably the immigrant entrepreneur program.

Interjection: Yes. That is close.

Mr. Stokes: I was able to get in touch with a couple of people in your ministry to ask them if they think this would be a good thing. Your people were extremely helpful and responsive. Mr. Chan is not over here yet, but if what he tells me and what he tells your people is true, he will get over with his money and we will have a new business. It will create employment and is the very kind of thing we need in northern Ontario.

The final chapter is not yet written, but it is the kind of thing your ministry is involved in that I was not aware of, and I thought I had a responsibility to say how much I appreciated the close liaison you have with Canadian representatives in foreign countries to foster the investment and ideas that will broaden the economic base in places such as Marathon in northern Ontario.

I just want to say I think the minister's people, in that area at least, are doing an excellent job and I want to compliment him for it.

Hon. F. S. Miller: I may go in reverse order because I think we will remember the comments of the member for Lake Nipigon (Mr. Stokes) a little easier since they are fresh. Then I will go back to the other ones, which I have had a little bit of time to digest and talk about them.

First, let me address the member for Lake Nipigon in that way. I thank him very much for what has always been his fair way of analysing the opposition, both with praise when it is due and with criticism when it is due. I think this will probably be the last time he and I meet in an estimates encounter. I have always had a great belief that while I would naturally like to see my party win every seat in the province, good government does require good members with different points of view and from different parties.

Mr. Stokes: You would not want a government with no opposition. They have it in Russia. They have it in Poland. It has not worked worth a damn.

Hon. F. S. Miller: That is what I am trying to say. It is one of those theories I have in my head that reality tells me does not work. I think the characteristic that has always belonged particularly to the member who has been able to speak clearly and fairly for his riding, first of all, and to speak without fear of sounding like a sycophant when he does see something good as well as something bad. It always makes criticism more credible when it is mixed with praise. I think that is something that has been part of the member's life.

We are going to miss the member when he does retire. I recall very well one night when he

was roasting me as a new minister. I have told this story many times around the province. He was telling me all my responsibilities as a Conservative and how as a New Democrat he was with one of the few parties that ever had any social conscience. Of course, I was seen as the epitome of the opposite point of view and I was getting a little restless on my side.

I think I stood up and said I was a little tired of his having a corner on caring and conscience. I recited my life history of having grown up in the working class, having had my father die when I was a kid, my mother having had mother's allowance and all that stuff. I thought I had him in tears but at that point he brought me back to earth by saying, "With that background, where did you go wrong?" You may remember that.

Mr. O'Neil: Where did you go wrong?

Hon. F. S. Miller: I could not help but remember that. It was a good rebuttal. So I went back to being my Conservative self. The member has also been calling me an interventionist for the last 20 minutes. I really wonder whether I am running for leader of the right party at this point.

I would say he touched upon a ministry I did love, the Ministry of Natural Resources. Perhaps that was because it had within it some of those things that have kept my interest all my life, whether I was or was not a politician. I have said to many people that no matter what job I have had in Ontario, if you ask me what my private passion is, what the thing is that really bothers me most, it is preservation of our forests above all else.

Lots of other things rank higher politically, and I recognize the politics of forests are not the best in the world because politicians who come to office deal in four-year terms and trees do not mature in four-year terms. You do not have much to show for the moneys you spend today.

Mr. Stokes: It is not very sexy politically.

Hon. F. S. Miller: No. Yet I have to say if I have any driving ambition to put money where it will not necessarily get immediate political gain but which I believe will be spent in the interests of future generations, it will be spent on forests. It will not be spent only in the ways we started when I was minister, such as putting in the forest management agreements, but in looking at the forests of the south as well as the far north, getting out of the boreal forests and back into the more productive forests, called the Great Lakes-St. Lawrence, where we have the mixed trees and realizing those can be tended just as well as any other crop can be.

12:10 p.m.

The investment made today not only gives people immediate work and partial recovery of costs, but also is a good long-term investment. The members may recall one of my steps as Treasurer was to propose the removal of property tax on private lands providing those lands were tended. I think that kind of investment is well put, both by the land owner and by the state.

Mr. Stokes: Under the Woodlands Improvement Act.

Hon. F. S. Miller: Yes. The Woodlands Improvement Act does give us the right to manage the forests, but the property owners still have the responsibility to pay whatever property taxes were on it. I have suggested the province should have to pay the municipalities whatever that was, as an investment, providing the land owner is willing to invest.

The other thing I would point out is that I think in each ministry I have gone to I have tried to use the same approach I used in the Ministry of Natural Resources, that is, learn what the people in the ministry think. That is the approach we have been using in the Ontario Development Corp., which resulted in the change in the help for entrepreneurs loan program.

When I go out and talk to my people, I usually say to them, as I have said to ODC and as I said to the foresters: "Look, I am not an expert. You are. I take the policies of experts as they come to me. If you are having frustrations with the system, it may be within this ministry's power to solve them. Let us start looking at what the real road blocks are. Are they political or are they just a result of our own inability to see that something can be changed?"

Mr. Stokes: If I wanted to be uncharitable, not to you personally, I would say you were getting too close to the truth in that. That is why they changed you.

Hon. F. S. Miller: Well, it has never happened that a Treasurer retired, as I recall.

Given all that, I think that is an essential part. It is one of the great myths out there that the bureaucrats prevent change. Indeed, within that ministry, if you recall the first meeting we had with foresters in Thunder Bay for a full week, we sat and just let them ventilate for a few days.

They suddenly realized they had within their hands the power to change policy if they could come to a consensus on what professional agreements were needed. I think that is very important because, once the bureaucrats see that, they are the first people to help to initiate change, not the opposite. You may disagree with that, but it has been my experience.

Mr. Stokes: I will have some private conversations with you about that.

Hon. F. S. Miller: I understand the problems; not all do.

Mr. Stokes: I have ministers of the crown coming to me and saying, "Can you get me a wood utilization policy?" I say, "Sure, I will try, but I find it absurd that you would not be able to get it." They say, "I am not sure people are not dragging their feet, hoping for a change in the ministry, so we will not have to come up with those answers."

I am not saying that attitude pervades right through government, but there are instances where a minister, for a variety of reasons, is not able to get a handle on something and some of the problems are from the mandarins.

Hon. F. S. Miller: That is always going to be the case. That is the case in General Motors of Canada and the case in Du Pont. It is the case in any large organization. It is not so much a function of government as it is a function of the size of an entity or organization.

Mr. Stokes: Present company excluded.

Hon. F. S. Miller: I am in a ministry right now which, as you pointed out, has a tremendously important role to play. The budget is tiny, relative to government spending, yet its effect upon the economic future of this province is as great as any ministry of government with the dollars it spends.

In the 16 months I have been minister, we have been working very hard at getting the human resources of the ministry (a) to understand what my beliefs are, which is the first responsibility of a minister, (b) to get to know me, and (c) to get ourselves moving in the directions where policies start to reflect basic beliefs.

I think that is what a minister brings to a ministry more than anything else. If you let people know where you stand and encourage them to develop the policies within that framework, then you have achieved your major objective, as opposed to becoming an expert within the ministry. I am a salesman. I am as close to being an expert in this ministry as I ever have been. Do you follow me?

Mr. Stokes: Yes.

Hon. F. S. Miller: I certainly could not have been called an expert in the Ministry of Health. I could not really have been called one in Treasury. In the Ministry of Natural Resources I was an amateur dabbling in something I loved.

I am both an engineer and a salesman, so I am closer here to being qualified in the expert sense,

but there is a danger. The danger is that the moment you are an expert in your ministry you may turn off good ideas because you have preformed ideas. I could not afford to do that in those other ministries. At the same time, I hope the combination will work, and I think it is working. I feel it is a very fine ministry to be in.

I have to do something about being labelled an interventionist, though. I just cannot have the Toronto Star, whose representatives are in the room at this moment, running up—

He has gone.

Mr. O'Neil: He left with the headline.

Hon. F. S. Miller: I will never have a chance to rebut.

Mr. Stokes: All he has to do is read this. He did not have to hear it from me.

Hon. F. S. Miller: The truth is that you are probably right. Far from trying to pretend that interventionism does not exist or that I do not practise it, I guess that is the difference between a scientist and an engineer. The scientist has a theory about what works; the engineer has always worked on empirical formulae. You take existing facts and make the formula fit the facts and make the solution fit that formula.

The big danger of an empirical formula is that you cannot project into the future what will happen. You base it on known events; you have not based it on any sound economic or scientific theories. So I have always been aware that you should not extrapolate your present empirical thinking into the future.

I live in an age when Ayn Rand would probably not do very well. Pure, unadulterated capitalism does not exist in many places in the world. You have touched on one of them today, Singapore; there is another one in Hong Kong. I would say that those two are as close to being the pure, old-fashioned type of capitalism as you will ever see in today's world.

Given that, and given that I have become a bit of a pragmatist, I have to realize that if I am coping with and competing with Russia, which is a centrally organized country, China, Cuba, France, Great Britain and even the United States at times, when it is not looking, where governments have taken major roles in economic policy, there is no use in my pretending that a pure capitalistic policy will work in that world. Given all that, you have to adjust policy to meet the competition in the real world, and that is what makes you become an interventionist, even if it is not through basic belief.

What I have to do is to temper that interventionism with my basic beliefs, and that is

where I would never apologize for taking the action of protecting the jobs in the aerospace industry, as at de Havilland, which you referred to. Why would I not? Number one, I do believe we need the technology that exists in a de Havilland in Ontario or in Canada. Outside of the Boeing aircraft company, we do not have a major company in the world that is not state supported.

We are in a rapidly diminishing world market. If we compete with whatever the company is in Brazil that makes computer aircraft, we are hardly in a free market. We are running into state support systems with the French industry. Therefore, one has to say that if that industry is needed in this country—and it is—then it has to fight on the terms the world is setting, and that requires that pure economics do not dictate our decisions.

Given the fact that the jobs are in Ontario and given that the government of Canada wants out, I would say we have a vested interest in seeing that the jobs stay here. It is the logical source; it is the logical place. If some other government in Canada wants to buy that company and move it just for its own purposes, then I will fight for it, and that is without any apology. If that is interventionism, so be it.

Mr. Stokes: You notice that the philosophical centre is getting awfully crowded, eh?

Hon. F. S. Miller: Yes.

Given all that, I still believe business is best run in private hands. I really believe that governments do not run businesses very well, and I think we have ample evidence of that. So my objective would always be to see it in private hands. However, I would see myself as a caretaker to get it there. I think that company has the potential to be a profitable business.

Whether it is a Suncor, which people love to talk about in meetings around the province, whether it is a Syncrude or whether it is a Hydro, whatever a government is involved in, you have to ask what was the purpose of its involvement. Governments should never buy shares in companies, I do not think, to make a return on investment. That is not government's business; that is your business, my business or somebody else's business.

12:20 p.m.

Governments buy investments in the interests of the people they serve, because perhaps the world market is not fair and you have to be there and support an industry. Perhaps it is because the oil discussions are ignoring you. In other words, you have a political reason that is in the interests of the majority of people you serve. Once that

political reason goes, usually the reason for maintaining the investment goes.

As with Syncrude, once there are saleable, marketable shares available to private sector investors who are fighting for them, and the oil is being produced in Canada and the technology has been developed, then government has fulfilled its role. It does not need to leave its money there, because there are better uses for government money, even if losing it is one of the reasons. In other words, government should not look at profit or loss as the reason for an investment. If you make a profit, you look smart, and if you make a loss, you look dumb; but you have to look beyond profit or loss for the real reasons behind the investment.

Mr. Stokes: It is dangerous to generalize, but just because something you have chosen to become involved in becomes profitable, I do not think that is a legitimate reason for dumping it.

Hon. F. S. Miller: I have looked beyond that at the political reasons that were there in the beginning, and one weighs those at that point. There is no simple—

Mr. Stokes: You have just confirmed that you are an individualist, but you are still a pragmatist.

Hon. F. S. Miller: If that means a Conservative, I can live with it.

We got into questions about the northern and eastern parts of this province, which will be of interest at least to all the people on the Conservative side of this committee at the moment. The north and east are well represented by the three members sitting there. The east is represented by one of the Liberals sitting there. I live in the area that economically is northern Ontario; it may not be geographically, but I have all the problems we talk about. Getting an industry to go anywhere north of Barrie is not easy.

You talked at great length about the Kimberly-Clark experience. It was not long ago they closed the last repulping plant in Kapuskasing. It was about a year ago. You do not close an existing investment just because you are making a punitive or selfish decision. Muskoka seems to be a rather surprising place. That Huntsville operation was built before I was a member, if I recall correctly. It was about 1969.

Mr. Stokes: Yes, just.

Hon. F. S. Miller: It has been increased in size lately. There are a lot of factors. Funnily enough, the salaries in my riding are less than they are in Kapuskasing and less than almost anywhere in the north. Muskoka-Parry Sound

falls into the Never Never Land where the costs of living are not considered to be high enough to justify the higher salaries of the north but the jobs are not plentiful. I suspect an element of the choice was that they are close to main markets and not quite in the main market, a high-cost area.

Transportation becomes the one and only determining factor in the location of that plant, when you look at it. Why ever should you repulp pulp? That is what they do. They make it into hardboard, take it somewhere else, put the water back in and make it into fine tissue. It is just as easy to make the fine tissue without making the board; so you have to do the arithmetic to see what makes the difference. It is bulk versus weight, as you know.

Mr. Stokes: Let us get back to 1945, when George Drew made the decision that we were no longer going to export pulpwood—not wood pulp—from the north. Had he not taken that conscious decision, one I always hark back to, we would never have had Marathon, Terrace Bay or Red Rock.

Hon. F. S. Miller: I agree that government has some responsibilities in that area. I cannot be a member representing Muskoka without saying it has. I am competing in a very tough world market for any industry to come to Ontario at all, if you accept that as number one. Inducements are being given, and there are good economic reasons for not being in Canada for some companies; so when we go to Japan and start talking about Ontario, we try to give them basic economic facts to make them choose Ontario.

Obviously it is in our interest, and it is and will be government policy, to try to support economic development east of Metro and north of the French River, in basic terms. Even within the large area that is left, if one analyses it, almost all the free choices are made in a tiny area, as you said, the Golden Horseshoe.

It is frustrating, because the pressures you put on a company to move to an area you would like it to go to can often, if it is pushed too hard, result in it not coming to Ontario at all. Unless a company can justify being somewhere in the province with help, you had better not let it go there. If it is going to start and then close, you are going to do more harm than you ever would have by letting it go where it would have chosen.

We get lots of fights like that. We have won. For example, Volkswagen was looking at Quebec versus Ontario, and it is safer for us to discuss that kind of thing. The economics of the analysis showed them that only two locations in Ontario

were suitable to them: Cambridge, I think, and Barrie.

For whatever reasons, they looked at those two locations and concluded that was the case. The government of Canada said: "We won't let you go to Ontario at all. If you don't come to Quebec, then there will be no offset in your duty remission. There will be larger grants if you go to Quebec," and so on. I was not the minister of the day. I was Treasurer at the time this was going on.

Finally, one day, the company just said: "No matter how much you give us, we are not going there. We will now consider another location, like the United States, if you do not let us choose one in Ontario." That kind of discussion is one you do not want to face. You want to urge, but you do not want to force them out.

What are the techniques that one uses then? Well, legitimately, the tax system. The tax system can encourage northern development. That is not impossible. Look at Kidd Creek Mines and at the fact that Kidd Creek Mines is upgrading the ore to a degree it would not have done, given a free choice. Do you agree with that?

Mr. Stokes: Yes.

Hon. F. S. Miller: What did it? Well, give John White the credit. John White was the Treasurer of the day who looked at the economics of the tax system as it related to where upgrading was done. He made two conscious decisions: to reward any Ontario upgrading through a set of increasing depreciation rates and to reward northern Ontario—

Mr. Stokes: Are not crown corporations wonderful?

Hon. F. S. Miller: It was not a crown corporation then.

Mr. Stokes: But it is now.

Hon. F. S. Miller: I am not so sure I would say that was wonderful. That was a profitable operation that was in existence.

Mr. Stokes: That is being very selective.

Hon. F. S. Miller: Yes, I am being very selective. But the fact is that the Ontario government's Mining Tax Act caused jobs to be created in the Timmins area; so taxes can do it. I hope you agree with that.

The other technique that can help is the granting and/or lending system. You were touching upon that at great length today, as to what you do that is special in those areas. Obviously, if a grant or a loan can make a project return on investment profitable, then sometimes

it should be done to encourage that. In fact, not sometimes—most times it should be done.

You talked about Stelco and Ear Falls and Griffith Mine. That currently is a major concern. Four ministries have agreed that they are going to try to look at the basic economics of that mine. I have had some private sector information recently, from groups that perhaps are biased, which says maybe the decision was not as economically justifiable as it seemed, leaving aside whether or not it was fair.

We do not think it was fair. We think it was taken in haste. We think it was taken for a whole bunch of reasons that in the final analysis may not be as valid as they sounded on the day it was announced. The world of US-Canadian interdependence in steel is very complex. Hidden within all the mines and ownerships of the various companies, and the tax laws, there may be some reasons why that mine is closing, and not the figure of \$16 a ton. Those have to be looked at.

Given that, we have to look at the basic reasons that it may not be. Number one, what factor is transportation? What role does government have in seeing those transportation costs are equalized to some degree? It has always been a frustrating thing to people in the north to see the tonnage cost per mile compared with that of any other jurisdiction in Canada. I know why they are high. You know why they are high. You have been in that business all your life. It is because we are a thinly populated country with a lot of space.

Mr. Stokes: Exactly.

Hon. F. S. Miller: The Americans can cover costs a lot easier than we can in regard to density and traffic. Given all that, we have responsibilities at times, and I think we have tried to show them through the Ontario Northland Transportation Commission from time to time, to try to make sure there are products in the north-central region.

12:30 p.m.

I also suspect the demands we make, as voters, on companies not to buy cheapest have to be tempered by our own action. Lots of people in the Canadian work force, not just workers in factories but very often people in the civil service or in the medical or legal fields, openly say to me: "I am not going to buy a Canadian car. Why should I pay any more for a Canadian car than I would for a Japanese car?" Yet we turn around and say to a company, "You are competing with Japan in steel, but you should pay more for something Canadian," when we ourselves would not make that same conscious decision with our

money. I do not think we can have a double standard.

I would look beyond the Japanese one and say I do not think Japan has been as fair in trading with us as it should have been. The things we do well in Canada are not being allowed into Japan. Northern Telecom could flood that market if it were given a chance. The beef producers of this province could flood that market. One could go down the list and find many more things.

The Japanese have always said, "We will have a policy of protecting our home market against really competitive producers until we have established a market base at home and economies of scale in our own manufacturing that allow us to invade other world markets." We do not do that because we have been fair. Having quotas on Japanese cars is the closest we have come to doing that to protect Canadian jobs. It works. You would not see Honda in Ontario today if there had not been a quota on Japanese cars, let me tell you.

Mr. Stokes: That is one thing you can thank Ed Lumley for.

Hon. F. S. Miller: We worked together on that. People tend to think Liberal and Conservative governments can never talk, but Ed Lumley came to this city when I, as Treasurer, was going to Japan to discuss finances. I was not going to talk about export sales; I was not in this ministry then. The minister of the day, the member for London South (Mr. Walker), suggested I might take an interest in automobile production and take some time, when I was in Japan, to work on behalf of this ministry.

When Lumley heard that, he said he would like to talk to the Premier (Mr. Davis), to the then minister and to me, all together, and simply see whether we could co-ordinate our activities to make the Japanese realize they had an obligation to invest here. We did. We agreed he would stiffen the entrance inspection and it would happen while I was in Japan.

I said to the Japanese: "Look how little we are doing and how much it bottles up the place. See what we could do if we followed your own inspection techniques." I was teasing them a bit. I said: "Do you realize how long it would take if we checked each of your cars for emission control? Do you realize what that would do?" We have only three qualified inspectors in Ontario and they would probably require retraining.

Mr. Stokes: It is called harassment, but it works.

Hon. F. S. Miller: Yes, it does.

We were learning from them, I might say. We were not inventing a system. We were learning that they protected their market and that they understood that approach to life. Again, that is the pragmatist in me. I would say when that kind of setup comes, you use the same medicine back. It worked. All of a sudden, they agreed to send parts purchasers to Canada and to take part in SITEV, if you recall. They started looking at Ontario as a potential place to invest.

I think breaking the logjam, with the assistance of an excellent staff in Japan, is coming along very well. We are starting to get the investments and the interest. Indeed, I can safely say we have been talking to Japanese companies within the past week about Ontario investments that are still a result of the quota system for Japanese cars. We are playing by their rules when we have a quota system, not by our rules; we have to.

All I am saying, in essence, is that you cannot expect to impose costs upon a company that you as an individual purchaser will not pay if it is your free choice. We have to look very hard at what will make that mine an economic source of raw material for the Stelco plants. Stelco is fighting in the world right now. I have been close to them for the past six months, trying to keep access to the American markets open with the help of this ministry. We have learned a great deal about how the American government's lobbying is done; so have the steel companies.

Our steel companies are very efficient, because they have reinvested a lot of money. The Americans mills have not. They are a classic case of lack of competition and monopoly permitting an industry to die; because it was so profitable,

no money went back into it. The Canadian companies never had that great advantage; they were always less efficient than the Americans and they had to fight. They reinvested their money, became more efficient and now can easily sell in that market and undercut those producers without any assistance.

All of a sudden, the Americans have started to take action, not against us so much as against world producers. Stelco is having a major fight, and it will have to have very low production costs to stay in that fight. In our long-term interest, we have to make sure we do not cut off our nose to spite our face in solving that problem. We have to help them get their ore efficiently. We have to help them stay efficient and keep the Canadian jobs that are there in the export market.

Mr. Chairman: I think I am going to break in.

Hon. F. S. Miller: Have I about run out of time?

Mr. Chairman: Our time has expired for the day. Tomorrow evening at eight o'clock when we come back—

Hon. F. S. Miller: Is it tomorrow at eight?

Mr. Chairman: Yes.

Hon. F. S. Miller: I thought it was tomorrow at three.

Mr. Chairman: No; eight o'clock. When we come back, we can finish the statements and get into the Ontario Development Corp. vote. Before the member for Lake Nipigon (Mr. Stokes) arrived, we agreed that was the thing we would do first tomorrow.

The committee adjourned at 12:32 p.m.

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O'Neil, H. P. (Quinte L)
Stokes, J. E. (Lake Nipigon NDP)
Villeneuve, N. (Stormont, Dundas and Glengarry PC)

From the Ministry of Industry and Trade:

Croll, A., Executive Director and Chief Executive Officer, The Development Corporations



Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Resources Development
Estimates, Ministry of Industry and Trade

Fourth Session, 32nd Parliament
Thursday, November 22, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, November 22, 1984

The committee met at 8:06 p.m. in room 151.

ESTIMATES, MINISTRY OF INDUSTRY AND TRADE (continued)

Mr. Chairman: Committee members, I call the meeting to order. I think the minister was in the midst of his response to the opening statements of the opposition critics; so, Minister, over to you.

Hon. F. S. Miller: Since someone pointed out to me these are the estimates of the Ministry of Industry and Trade, not the Ministry of Natural Resources, I suppose I shall have to press on to the next topic and comment in response to the member for Quinte (Mr. O'Neil)—is that the right title?

Mr. O'Neil: After all the campaigning you have done in that area you should have known it very well.

Hon. F. S. Miller: You started by talking about exports and said you felt that while there had been an increase in exports, it was basically because of an improvement in the United States market. I think that is true within limits. Not many of us have tried to argue that Ontario and Canada are not very dependent on the state of that market, but I think it would be more interesting to you to hear some statistics on it.

I see I have a new set in front of me now, but since I have not yet read them I will ignore them and state that, as of August, Ontario's trade had gone up 41 per cent over last year.

Mr. Foulds: Export trade?

Hon. F. S. Miller: Yes. That is a huge year-over-year increase. If one looked at the average for importing nations in the same time frame, it is around 11 per cent. Ontario's increase has been significantly greater than that of world trade. This means, of course, we have been increasing market share. That is perhaps the most critical measure: are we getting a better share of world trade?

If one looked at some selected markets, and it is always easy to select what you want, one could look at the Japanese market which, in six months, has already done as much business as we did in almost the whole of last year. I think there had been a 98 per cent increase in Japanese trade

the last time I saw a figure. It is something on the order of 50 to 60 per cent in Great Britain. So there have been some very large year-over-year increases that are more than just renewed economic activity.

The United States market increased as a percentage of total Ontario exports probably as much because of the automotive industry as anything else, yet when you look at the figures, you will see the plot of total exports has been staying very close to 50-50 with automotive exports. I think they have been building up a percentage point or two over the 50 per cent of our total. While they have improved a little more than the average, I think you will find the reassuring statistic is that other partially manufactured and fully manufactured products have improved also in the last year.

Those are some causes for encouragement. I think a good deal is due to ministry work, but also a good deal to the increased interest by Ontario manufacturers in foreign markets. The more I travel around the world on my three trips a year, although we have something like 70-odd missions or trade fairs a year sponsored by the ministry, the more I begin to realize Canada is probably the only reasonably well developed industrial nation of the world that does not have much of a home market.

We have only 25 million people. In order to compete worldwide it requires world-scale production rates to keep unit cost down. That is why this global product mandate you were talking about is critical. If you tend to make all of the product in one place you have lower unit cost because you are specializing. Some companies like Xerox have done that and have become quite competitive. Canadian Westinghouse is doing some of it. You could name quite a few more. My staff could, anyway, if you want specifics.

Mr. Foulds: Can you help Black and Decker?

Hon. F. S. Miller: I do not know whether you drive a Canadian or Japanese car, but people, as I said in my comments the other day, are very prone to shop for the lowest unit cost. We do not have a monopoly world on low unit costs. There are some areas where we are having a hard job surviving and that is one field where it is true.

We are going to see an increase in Canadians' awareness of and participation in foreign mar-

kets. I could give you percentages, but I think we should wait until we get world trade percentages.

One interesting fact is that we will come awfully close to meeting the 1987 target of \$60 billion in exports this year. We had \$41.5 billion last year and I will guess we should have been at about \$46 billion this year, if we were on target. I am just giving a round figure; \$45.5 billion to \$46 billion was this year's target?

So if we are in the \$54-billion to \$57-billion range, something of that order, my only fear is what are we going to do for an encore? In other words, we have reached our target so we may not be able to sustain it; but it is very nice to see that increase.

Mr. Stokes: It means your targets were much too conservative.

Hon. F. S. Miller: Of course; they are from that kind of government.

Mr. Chairman: That is a capital "C" in there.

Hon. F. S. Miller: It is better to be that way, Jack, you will discover.

Mr. Foulds: You may, you may not.

Mr. O'Neil: I should also mention that you thought if you reached that plateau of about \$60 billion it would create roughly 200,000 new jobs. Having almost reached that goal, do you figure there has been comparable progress with your projection on the job market?

Hon. F. S. Miller: You can pretty well divide the amount of dollars of exports by a certain factor like \$25,000 or \$50,000 and say that is a job. That is not true of all industries, because the petrochemical industry would have fewer jobs per dollar.

Mr. Stokes: It is capital intense.

Hon. F. S. Miller: Yes; per dollar of export the tourist industry would have more jobs per dollars of sales, so you have to use rough averages. For real statistics, what is important is what is happening to the total number of people at work. You can look at two factors: the unemployment rate, which is critical; but also, the employment statistic.

I cannot recall the exact figure, but the last time I saw a figure there were, I think, between 4.3 million and 4.4 million Ontario people at work. At the depths of the recession I think it was about 3.85 million people, or thereabouts, at work. So we have gone from that low to about 4.5 million. I do not say all that was because of exports, but since exports in this province are between 33 and 35 per cent of our gross provincial product, a good part of it is due to exports.

Mr. MacDonell: I have done a chart here on employment, coupled with export performance.

Hon. F. S. Miller: If you want to look at the curves, one goes up as the other does, employment and exports. I think there is a correlation; that is our point.

When I go to the United States, as I did a while ago, not only to open our Philadelphia office but to lobby on behalf of Canadian access to the steel market, the biggest problem I have is correcting American impressions as to who the big exporters are in this world.

If I point out to them that Ontario exports US \$3,600 per capita per year, and they only export about \$900, they are always surprised. If I point out the Japanese export something like, I think, \$1,200 per capita per year, they are always surprised to find we are three times as dependent. That is both good and bad, but we are a very heavily export-oriented country.

Again, I am throwing out statistics I hope are correct. If I am wrong, I am sure my staff will tell me, quietly and later.

Mr. MacDonell: You are correct.

Mr. Chairman: A vote of confidence from your deputy.

Hon. F. S. Miller: Of all of Canada's manufactured exports, 75 per cent come out of Ontario.

Mr. Stokes: The west leads us constantly.

Hon. F. S. Miller: Do not forget, I said manufactured exports.

Mr. Stokes: That is right.

Mr. Foulds: That is the point.

Hon. F. S. Miller: They are heavily into exports of raw materials. That is not the fault of Ontario, it is just an indication of where the geography and the economics sit.

I have pointed out to Mr. Kelleher that if indeed he is creating a manufacturing export policy for Canada, and if he listens to the nine provinces which see Ontario as a problem because they do not want to buy our stuff, he will have a policy that could be disastrous for Ontario industry.

Free trade, which is being pursued a lot these days, has to be studied a lot more, because I do not know whether we could retain our political freedom or economic pace with free trade. We have been saying that over and over again: "Do not jump. Do not take the leap of faith that Donald MacDonald talked about."

Mr. Stokes: Exactly.

Hon. F. S. Miller: Macroeconomics is great; for some purposes. Macroeconomists come to me and ask, "Why do you not forget about the textile industry? It is not worth worrying about. You have to realize it is a sunset industry. This is something the lesser developed nations do." This is what they tell you. I say, "Yes, now go and say that in Welland, Ontario."

Mr. Chairman: Say it in Cambridge.

Hon. F. S. Miller: Yes; say it in any town or city which has just lost a factory in that industry. Macroeconomics then becomes, really, "local problems." You cannot simply write industries off like that. I have to say we have cautioned Canada not to take to new economic theory too quickly but to use common sense and approach with great care.

Mr. Stokes: It is the same with the iron ore industry.

Hon. F. S. Miller: Yes.

Mr. Stokes: That is what this afternoon was all about. I hope it did not escape you.

Hon. F. S. Miller: I noticed the bells were ringing.

Mr. O'Neil: I think they were a waste of time.

Hon. F. S. Miller: You talked about the north and the east and the lack of demand for the Ontario Development Corp. We are going to be talking about ODC tonight, so we will just leave that for discussion, except to say that while it is our responsibility to encourage loans, and we are doing that, you still cannot just create customers for them. There still have to be people willing to invest. We have an Eastern Ontario Development Corp., and an ODC, especially to give preference in the lending patterns to those areas.

Mr. O'Neil: I suppose the direction of what I was saying, though, was that you can set an office up in Kingston or Ottawa, you can say you established a separate identity for the Eastern Ontario Development Corp., and you can wait for people to come to you. However, I suppose I would like to know what those offices, or you as a minister, are doing to try giving a little extra push to those areas; say, to help create jobs east of Oshawa.

8:20 p.m.

Hon. F. S. Miller: The Eastern Ontario subsidiary agreement was an attempt to do that, if you recall. When it was first designed no one to speak of took up the special grants and loans under EOSA. We had to broaden the scope and make the grants cheaper before they were taken

up. Indeed, we had to become relatively aggressive even to give money away.

The money finally was taken up, but we went through a year or so when virtually nothing was taken up because the criteria were a little too stringent, so we did relax them and we did merchandise them.

I think government has a responsibility to the north and to the east—and indeed, to any part of the province, because not all the problem areas are in the north and the east. They are in the Port Colbornes, the Chathams, the Peterboroughs and the St. Catharines of Ontario as well. Those are all communities that have far more than their share of unemployment. You simply have to start saying government policies have a responsibility to direct investment without forcing it. In other words, give some incentive and good reason to go somewhere.

That is why the industrial and regional development program has tiers, in an attempt to get people to look at different parts of the province. My only argument there is they do not have enough of the tiers that really count in Ontario. We need tier four anywhere north of certain parts of the province.

Mr. O'Neil: Okay, but again in your opening statements you mentioned you were a salesman and, rather than waiting for people to come to you, you went to them. Is there anything extra you could do for these two parts of the province by enlarging your staff or by promotion or assisting industrial commissioners—

Hon. F. S. Miller: Yes, I think promotion is important. I think specially designed programs will have a factor in them, too.

You talked about trade missions and I think you mentioned my parliamentary assistant's name at one point. You wondered whether the expenses of foreign offices are justified.

My deputy is, if he is nothing else, extremely determined that this ministry will have measurable criteria and objectives. One of the objectives is that a foreign office must help induce a certain number of dollars' worth of sales per year for every dollar's worth of budget. The factor I last saw was 16. Is that still your figure?

Mr. MacDonell: It is a little higher than that now.

Hon. F. S. Miller: Is it 19? What is it now?

Mr. MacDonell: It would average out at 20 and maybe 22.

Hon. F. S. Miller: It was 16 when I got into the ministry and it is 22 already?

Mr. MacDonell: That is right.

Hon. F. S. Miller: In any case, that is better because, of course, you are getting more sales per dollar spent on the foreign offices. But those targets are quite useful because they really do spur the offices on. I have seen them getting comparative figures—say that Tokyo is doing better than somewhere else. The office is taken quite seriously, as far I can tell. They are good measures of whether or not an office is meeting its objectives.

It has a whole bunch of other criteria, such as how many immigrant entrepreneurs did they introduce to Canada, etc. We are trying to quantify, and government is a very difficult entity to quantify.

Mr. O'Neil: Perhaps you could explain, because I am not that familiar with it. When you place a figure of 22 on something like that, do you feel that sort of return is worth while or do you think it should be higher or lower?

Hon. F. S. Miller: I am not going to try to justify whether it is right or wrong. It was empirical, again. But remember those are one-time-only sales and they are first-time sales. So on a cumulative basis the office would have much higher sales per dollar spent. We are measuring only that year's new sales.

If we take a trade mission abroad through an office, whatever techniques we use, we try to measure it that way. Now, I believe trade missions are really working quite well. I think we had 36 trade missions abroad this year—something like that—and I think we had 36 trade shows abroad.

Interjection.

Hon. F. S. Miller: I am sure our staff can give you some of the information. I am responding just in general terms to the questions given by your colleague yesterday.

I found one thing quite early. I think it came from being asked, as I said yesterday, by the Minister of Industry and Trade when I was Treasurer to do some work on the auto industry. Do you remember I was discussing that, in Japan, I realized ministers abroad, from any ministry, could be very useful to a trade mission and we might as well try to combine some of the efforts so that if there was a desire for a minister—for any good reason related to his own ministry—to be somewhere in the world, it might be best to tie his trip into something we were doing to increase trade. Those who go on trade missions say if a politician, not necessarily a minister, accompanies a trade mission, doors

open on a higher level than if a politician is not on the trip.

The member for Mississauga South (Mr. Kennedy) went on a trip to India. Trade members gave supportive comments, saying that from morning until night they saw people they did not expect to see. They were pleased with him being there.

The same thing happened in China with me. We actually got sales and we saw high-level staff members who the average company representative would never see. It is a better investment of our time if the trade mission leader can be, as often as possible, an elected member.

Mr. O'Neil: Maybe what you should try to do, since you fellows have not been in this side for 41 years, is occasionally take opposition members along to see how these offices work.

Hon. F. S. Miller: As a matter of fact I even have that written down, so you beat me to the punch.

Mr. Foulds: You promised that last year.

Hon. F. S. Miller: Yes, I did.

Mr. Foulds: Then you went on a trade mission and did not invite me.

Hon. F. S. Miller: That is right.

Mr. Foulds: You did not even send me a note.

Mr. O'Neil: You are trying to explain to us what goes on. I think it would be a very interesting—

Hon. F. S. Miller: I would have to be there with you. I could not send you on one alone. I do not mean that unkindly.

Mr. O'Neil: You mean you would not trust us?

Mr. Chairman: The committee chairman could perhaps accompany you, if you really need help.

Hon. F. S. Miller: With those few members of the cabinet or caucus who have gone on trade missions, I have had immediate allies for trade missions and a better perspective of the world abroad. The Deputy Premier (Mr. Welch) was in Thailand and Singapore. That trip made a fundamental change in his attitude towards the importance of foreign trade to Ontario.

It is an educational process every elected critic and member should go through, if possible. They then start to see that no one is fooling around on those missions and they are not all the fun you think they are.

Mr. Stokes: The Deputy Premier sent me on one once, but you have never done it.

Mr. Lane: You never sent me either.

Hon. F. S. Miller: What happened? Yesterday you were nice.

Mr. O'Neil: No more Mr. Nice Guy.

Hon. F. S. Miller: He has you here to police him today.

Mr. Foulds: He is okay on his own, he does not need policing.

Mr. O'Neil: There is another point I would like you to touch on. You and your deputy have alluded to the fact that most of the exports come from a certain number of larger companies. What are you doing to see that smaller firms, of under 100 people, pick up export business?

Hon. F. S. Miller: That is the export success fund program and the new exporters to border states program. Both programs are aimed at the small business person who has not been exporting and has a small staff.

Mr. O'Neil: Do you feel it is working the way you hoped?

Hon. F. S. Miller: Yes, indeed. At an event related to other political ambitions of mine I ran into a businessman who said he was there because he had been one of the winning applicants of an export success fund program. It had really helped his little company sell abroad. He was a Greek chap and said it really made a difference to him and he wanted to tell me about it.

The programs have been a great success. We had to increase the money 400 per cent this year.

Mr. MacDonell: At this date, there have been 600 applications from firms with fewer than 100 employees. So far, 500 have been accepted. The results have been remarkable which surprised us somewhat. It looks as if there are several thousand small firms we will be able to attract into the export field.

Mr. Stokes: Could you break that down geographically?

Mr. MacDonell: Yes, we could precisely.

Philip, do you happen to have the geographic breakdown?

Hon. F. S. Miller: When we are into the votes, we will get into that.

Mr. O'Neil: You could possibly give northern or eastern Ontario, areas that are looking for additional expansion or business, a little push.

8:30 p.m.

Hon. F. S. Miller: We have been doing that and other things too. In London, Ontario, four or five months ago, we had a fair, which I attended,

which brought all the local manufacturers into the fairgrounds to show the products and components they are buying outside Canada. Every one of them showed not only the product but the estimated number that company bought per year.

That all had the same kind of objective; to show local manufacturers what one was buying abroad in case they could make it. That kind of approach also helps.

At this point I would like to go back to the votes of the estimates. I think you agreed to go to the Ontario Development Corp. tonight.

Mr. Chairman: We will move to ODC now.

I have to apologize to Mr. Foulds. There was a mix-up in communications and he was not aware we were meeting yesterday morning. Mr. Stokes quite capably took his opening statement, but I know Mr. Foulds has a few questions he wants on the record. He has agreed to put those later in the estimates, either tonight or next Tuesday evening.

On vote 2304, Ontario development corporations program:

Mr. Chairman: We should move on to the vote that involves the Ontario development corporations, which includes the Northern Ontario Development Corp. and the Eastern Ontario Development Corp. Who is to appear?

Hon. F. S. Miller: Mr. Croll.

Mr. Chairman: Mr. Croll, if you would like to come forward.

For any members of the committee who have concerns or questions of this branch of the ministry, on vote 2304, now is an appropriate time to come forward.

Hon. F. S. Miller: At this point, we will go to the routine of suggesting you ask us questions on any points you want.

Mr. Lane: As the minister will recall, a year or two ago he and I discussed the need for a situation in which someone who wanted \$20,000, \$30,000 or \$40,000, could get it without going through all the red tape the ODC required. As I recall, the minister told me then that the federal government had such a program and we were not necessarily going to get involved in it.

However, as of yesterday I understand we are trying this as a pilot project with immediate results, if you qualify. It is the answer for a lot of very small business people who require some funding and maybe have only four or five employees. We were told there were a couple of offices that were already into the program and

others were trying it on for size. I would like to know whether the Sudbury office, which is my closest area, is involved.

Mr. Croll: Yes, it is. Yesterday, I was talking about two offices which are going full scale. We have made these types of loans which are called HELP loans—help for entrepreneurs loans program—in Kitchener, Hamilton, London, Willowdale, Sudbury, Timmins, Ottawa and Kingston. We have looked at how to start up the program and had quite a bit of feedback, both from the people to whom we were lending the money and from our loan officers. We have put one in Sudbury. We are now expanding the program to cover the province, as I said yesterday.

Mr. Lane: I am really happy to hear that. This is something we have been lacking over the years. NODC has supplied the answer to people who wanted money over \$100,000, but for anybody under that it was too much effort to get into the system. This is very encouraging, because there are a lot of little businesses we could start up with the resources in my riding and in northern Ontario that do not require very much money; however, the small businessman thinks he does not have the funds.

In many cases, I think \$20,000 or so would be enough to get started, so I am very happy that finally we have agreed to have some kind of system where a small businessman can go and say what he wants to do, and the officer can take a look at him and see whether he is likely to be viable or not and say, "God bless you, here is your cheque." That is what we need.

Mr. O'Neil: Again, I would like to go back to the minister's statement, in which he said on a couple of occasions you cannot really force an industry to go into an area if they do not want to go. When we look at the decrease in the amount of money that has gone out—and again, I suppose I am talking about two areas, northern and eastern Ontario—I wonder if I could ask what you are doing or having your offices do to try and attract industry to those two particular areas.

Mr. Croll: First, I would challenge that there is a decrease and refer back to the minister's opening statement, in which he was pointing out that the Ontario Development Corp. is also administering a number of other programs besides those in the estimates you are considering this evening.

However, setting that issue aside, we have a problem in saying just how you go out and drum up business. We have made a couple of organizational moves which I think are quite important.

For quite some time we had the manager, the person responsible for the north and the east, located in Toronto. Starting about two years ago we located the manager for the north in Sudbury, and the manager for the east is now in Ottawa. That is a significant step in that trying to get management closer to the people is very necessary.

Mr. Foulds: Are you sure that Ottawa is close to the people?

Mr. Croll: The federal government has finally opened up an industrial and regional development program office there, so I guess they think it is. There are an enormous number of high technology projects that are going in the Ottawa and Kanata area, so with regard to the opportunity of developing the east, yes, I think it is a good place to locate a manager.

Mr. O'Neil: What other steps are you taking? That is one. In other words, I am thinking about other municipalities in that area. How are you working with them and the industrial commissioners?

I suppose Ottawa is considered part of eastern Ontario, but I am talking about that area maybe between Oshawa and Ottawa; some of the cities in there need help.

Mr. Croll: We are progressively moving where the work load is. We are opening up an office in Peterborough, as we saw there is a considerable amount being generated in the area, and there will be a requirement for a full-time person.

I guess another problem I have is that the corporations really favour the east and the north. The population in the east in the ODC area is about 74 per cent of the total. It only gets about 50 per cent of all the programs delivered by the corporation.

8:40 p.m.

The north, with nine per cent of the population, receives about 25 per cent of the programs the corporation delivers. The east, which has 17 per cent of the population, also receives 25 per cent.

The three boards are a very important part of regional development. I report to the boards once a month, and when activity is in the east or in the north, they live in those communities and are continually asking the same kinds of questions that you are asking.

The terms and conditions of the loans are less onerous in the north and the east than they are in the southwest. I believe we are favouring those regions.

We do not go and drum up business in the sense of going on a sales tour, but we do use the field staff of both the Ministry of Industry and Trade and the Ministry of Tourism and Recreation all the time. They are basically our marketing arm. They send many candidates to us. That is by far our biggest source of entrepreneurs who want to expand their businesses.

We do meet with industrial commissioners in conjunction with these other ministries. In the past two or three months I have spent more time meeting the public in the north and the east than I have in the southwest, and I do think there is quite a determined effort.

There is a reason for that. The minister mentioned that measurable goals are very much a part of the ministry. The fact is, the small firms tend to grow the fastest, so we would like to see as many small firms as we possibly can.

When they come to us, average firms in the north have 10 employees; in the east, they have 20 employees. In the Ontario Development Corp. area in the southwest the average is about 30 employees. In order to meet our goals, we would like to see as many as we can from the north and from the east.

There are programs in place; for example, in the north there are regular advertisements. The distances are very large, as you know, and a consultant is travelling over the north pretty constantly, trying to meet with all the small firms that he can.

Mr. O'Neil: You mentioned you are continually talking with the municipalities and with the industrial commissioners. I suppose you also include in there some of the smaller and larger industries.

When you talk with them, what are you saying and what sort of programs are you offering? What do you say to them when you go in there, so we know you are giving them the type of help or assistance we feel they should be having?

Mr. Croll: First of all, we tell them about the programs available.

Mr. O'Neil: Do you include industries, too? You mentioned you are talking with municipalities and industrial commissioners; are you also talking with the smaller industries? How do you reach them? How do you reach the larger ones?

Mr. Croll: Recently, for example, I was up in Elliot Lake talking with representatives of the northeastern Ontario chambers of commerce. I put on a brief slide show describing what the corporation does, listened to their problems as they saw them, talked about the kinds of

programs we have available and asked what they thought they needed and how we could help.

Mr. O'Neil: Is the development corporation quite active in my area of Belleville and Trenton too, going in and doing things such as this, holding seminars or meetings of business groups?

Mr. Croll: Yes, it is. Bill McLean in your area—I am sure you know him—regularly speaks to groups in the area. All our consultants do, especially in the north and the east.

Mr. O'Neil: I would like to see that. I know Bill and I know Otto Schavo.

Concerning the two areas, I know the member for Wellington-Dufferin-Peel (Mr. J. M. Johnson) spoke on this yesterday. I wonder if there is any way that dialogue could be increased, encouraged or pushed a little bit in some of these areas. Maybe you feel you are doing enough now, I do not know.

Mr. Croll: I do not know if we could ever do enough. We have to spend some time out in the field talking about what is needed and some time on the delivery. We are making what we think is a reasonable balance, but time is very definitely programmed for our consultants, our managers, our directors and me to get into the cities and towns to talk to business people, industrial commissioners and whoever wants to talk to us.

Mr. O'Neil: My concern there is that maybe they spend too much time in Kingston or Ottawa. Are they actually getting out as much as they should be or are they remaining in the offices?

Mr. Croll: They do both.

Mr. O'Neil: I know they do both, but I am worried about the other end, that they may be spending too much time in Kingston or Ottawa and not getting out enough to talk to people. It would be interesting to know what percentage of their time is spent out rather than in.

Mr. Croll: Out of the office?

Mr. O'Neil: Yes.

Mr. Croll: It has to be more than 50 per cent of the time that is spent out of the office. We are part of the Ministry of Industry and Trade. We get support from the Ministry of Tourism and Recreation, whose people are out there all the time. We are out with them, talking to them and also talking to the municipalities.

Mr. O'Neil: I agree with you. I think this is a very important part of it, especially the hook-in with the Ministry of Tourism and Recreation and some of the programs there.

I will give you an example of one thing, and I suppose I can really speak just for my area at this point. We had a tourism office that did work with your people too. There were two people sharing an office with the Ministry of Citizenship and Culture. Those two people were pulled out, and I think they were moved to Peterborough, whereas I believe that in the stretch from Brockville, Kingston, Belleville and Trenton right up to Cobourg there is real a chance for development of the tourism industry.

That is an office that is costing hardly anything at all and I think keeping it open would have been worth while. They could have worked with you to help do a job in that area. It is something that maybe you or the ministry could look after, re-establishing a presence in the area to work with you to help develop some of these other programs.

The only other comment I want to make—I know that some of the other members want to speak—is about the help for entrepreneurs loans program. Is that set up in the Kingston office now?

Mr. Croll: Yes, it is. As I said and as the minister emphasized, the program is in the experimental stage. We tried it in all the offices I mentioned, one or two in each, to find out what the problems were. We then ran it for two months in London and Hamilton, and two cases were done in Kingston.

Yesterday we were in contact with the Ministry of Industry and Trade, which I believe has talked with the Ministry of Tourism and Recreation to explain the program fully to the eastern division of that ministry, so it can now direct more cases to us. We are just about ready to go; we still have some learning to do.

Mr. O'Neil: How many days does it take to process something like that?

Mr. MacDonell: I will answer that for you. I attended a meeting of the Eastern Ontario Development Corp. organization in Ottawa this morning. In the last three cases one took three days, one was six days and in the last one the deal was made by telephone, the transfer was made on Friday and the money was in the bank on Monday, so that is really two working days.

Those are three instances that I know of in your geographic area that have just taken place.

Mr. O'Neil: As I mentioned the other day, I would appreciate receiving whatever information I could on that plan. I would love to see it being advertised. Some of the members from the north would like to see a little bit of advertising of this program.

8:50 p.m.

Hon. F. S. Miller: The answer to that to date has been that, because it was almost a prototype, we were not pushing it until we had made sure we were reasonably satisfied with it. From what I hear from the staff, I assume they are now satisfied with it.

My biggest fear was whether we would have enough money. However, the deputy was just assuring me that payback rates on Ontario Development Corp. loans are covering the increased needs. Does that sound right or wrong? If it is wrong, we will talk about it later.

Mr. Croll: Over the past five years, the corporation has been steward for about \$340 million, if you take the entire amount of money that has flowed through the corporation from all sources. If you take just the loans that have been repaid and that are not accelerated, there has been a repayment of something like \$240 million. If you take the incremental jobs that are associated directly with those loans, there is an increase in provincial income tax and retail sales tax of about \$510 million. If you are allowed to count those statistics, the Treasury has got back \$7.50 for every \$3.43.

Mr. G. I. Miller: What was that figure again?

Mr. Croll: For every \$3.43 from every source that has been spent by ODC, \$7.50 comes back.

Mr. Stokes: You said you were not in the business of making money.

Hon. F. S. Miller: We are making money for other people.

Mr. Foulds: It sounds like socialism to me.

Hon. F. S. Miller: Do not you get on to me, too. I cannot afford another supporter from your party.

Mr. Foulds: And Grossman pretends he is on the left wing.

Mr. Stokes: Keep that up and I am going to offer to run your campaign in the north.

Mr. Foulds: I knew I had to watch him.

Mr. O'Neil: As to the money that you lend out from ODC to some of the larger companies, is any stipulation placed on those loans so that should a company that has received a substantial loan decide to move out of the province or move production out of the province, it has to repay a certain portion of the loan, or it is recovered?

Mr. Croll: There are not many large companies with the corporation; 95 per cent of our companies have fewer than 100 employees when they come to us and something like 75 per cent have fewer than 20 employees.

With all loans, there is a negative covenant in the agreement that they cannot change ownership, or sell or dispose of assets without our prior consent. If they did as you suggested, and got our money and then decided to move it elsewhere, we could insist they pay it back.

Hon. F. S. Miller: There are also clauses in some of the loans managed by the corporation that go to bigger companies. Those loans are ad hoc. Volkswagen comes to mind as an agreement where \$9 million—

Mr. Croll: Yes. It was originally \$9 million and it was subsequently reduced to \$4 million as Volkswagen scaled down its—

Hon. F. S. Miller: It was related to the number of jobs involved.

There have been recoveries from companies where they did not keep the covenants; they changed location or did not produce the jobs required and there were recoveries. Sometimes a company is no longer in business at that point but, where a recovery is possible, there is usually a covenant to require it.

Mr. Stokes: I want to try something on the minister for size, and I would also like some input from the representative for the Northern Ontario Development Corp.

I want to start by refreshing the minister's memory about representations I made to him and to many of his cabinet colleagues who were on the same side of the issue as I was. Due to your intransigence in a previous emanation, we could never convince you that it was worth while doing.

You know the provisions of the 1924 Indian land agreement said that, if the native people were going to develop and exploit any of the mineral wealth on the reserve, you, as Treasurer of the day, were going to invoke the provisions of the land agreement which was an adhesion to previous treaties signed. Under that agreement, you were going to attach 50 per cent of the revenues for the provincial crown, notwithstanding the fact that there were a good many variances from that agreement, that is, there were many exceptions made whereby you waived that, particularly for aggregates in the south.

I have had discussions with the Fort Hope Indian band, because there is a lot of activity by mining companies in that area. I received a call from a chap who was a former Deputy Minister of Lands and Forests and who has gone on to bigger and better things. He wanted to know how I thought he should approach the Fort Hope Indian band. He wanted to convince them they should enter into an agreement with a company

that was extremely interested in exploring for mineral wealth in the area. Because of the sophistication in that field now, it is much easier to pinpoint than once was the case.

I phoned the chief and asked him if the band would be amenable to an overture of that kind. He said: "Yes, we would. As a matter of fact, we have had four or five feelers of that very nature from mining companies. If they have a proposal, they can send it to us and we will make an appraisal of it and see whether it is in the best interests of the band members, in terms of providing both employment and some revenue for the Indian band, based on indigenous resources."

I do not know how many dollars we are talking about. I asked for yet another copy of the Indian land agreement and it is very vague as to what you saw at that time your share would be of any revenues from that source of activity. My understanding is it would not be all that great in the overall scheme of things, but I understand there is about \$3 million being held in trust by the federal government on revenues that would normally accrue to an Indian band. For some strange reason, it is in limbo.

Since you are Minister of Industry and Trade, it seems to me that is something worth while to have explored by people in your ministry, to see if you cannot broaden the economic base of native people in the far north where traditional resources such as hunting, fishing and trapping are getting very scarce and the opportunities for those people more or less to paddle their own canoes by developing indigenous resources are very limited indeed.

This is one way I think you could assist, by sitting down with the mining companies and with the bands and saying, "Let us come to an accommodation on how we can foster economic development based on our mineral wealth that would be of benefit to our first citizens."

Do you want to answer that one? I have another related question dealing with—

9 p.m.

Hon. F. S. Miller: I question whether that is in my domain. Indeed, I have to question whether it even falls within my ministry's responsibility. I suspect it is more in the domain of the Ministry of Natural Resources. It seems to me, my dealings with the 1924 agreement, which I do not think was ever ratified—

Mr. Stokes: Yes, it was.

Hon. F. S. Miller: Was it ever really implemented?

Mr. Stokes: The moneys that flowed from the agreement are being held in trust, and I cannot understand why.

Hon. F. S. Miller: I think it hinges on the lack of final acceptance of the terms and conditions of the 1924 agreement. I cannot be sure, but I recall the irony, in 1977, of being Minister of Natural Resources and discussing the kinds of problems we are talking about now. The Indians' problems and their resolutions, no matter what they related to, were all hung up because the 1924 agreement was not yet in place.

Mr. Stokes: I talked to René Brunelle about it and I talked to Leo Bernier about it and I asked, "Where is the holdup?" They said it was with the Treasurer, and you happened to be occupying that position at the time.

Hon. F. S. Miller: I have to tell you I do not recall, in my five years in Treasury, a reference to the 1924 agreement. There certainly has never been one in this ministry and I bet most of my staff do not have the foggiest idea what it is.

Mr. Stokes: Yes, that is why I am raising it. I have raised it with Natural Resources, I have raised it with Indian Affairs at the federal level and I have raised it with Northern Affairs. Everybody says it is up to the Treasurer.

I think it is something you people could be doing because you head the Ministry of Industry and Trade. The present climate, because of government policies, is not conducive to the development of those indigenous resources, but I think you can play a very active role in it. That is the reason I am raising it.

Hon. F. S. Miller: In fairness, when the Board of Industrial Leadership and Development brought out some small business development corporation programs aimed at the mining industry, they immediately moved into MNR. They did not stay in BILD. I think you will find almost all the levers for resource development are in that ministry. We have a limited role to play in it.

There is no use in my trying to argue with you tonight about the 1924 agreement—I think I would be outgunned by you—but I think we should go back and check on the agreement's legal status and see if that is not one of the Treasury's major obstacles to unfreezing the moneys.

I think there are some problems with the acceptance of the agreement, at the federal and the provincial and the Indian level. You recall the tripartite discussions we were having a few years

back. I do not know if those are still going on or not—are they?

Mr. Stokes: They are in limbo right now. Patrick Hartt was there and he has gone back to the Bench.

Hon. F. S. Miller: The 1924 agreement was not implemented by 1977, that tells you how much in limbo it is. It has been unbelievable. But I think you would have to find out the status before you could—

Mr. Stokes: Okay. Now let me give you another one. During the estimates of the Minister of Northern Affairs (Mr. Bernier), I raised with him the fact I did not think he was taking enough interest in off-energy projects. I also raised it with your colleague, the Minister of Energy (Mr. Andrewes).

Over a weekend, they came up with a list of activities that they were either into or were getting into, and let me enumerate them for you:

Petrosun gasifier, 350 kilowatts from wood or peat, location to be announced shortly; peat for electricity and space heating, boiler or gasification, at Cat Lake, which is an Indian reserve in the northwest; peat for 20-kilowatt commercial scale SAS gasifier in the northeast region; totem demonstration project, northwest region. Wind-diesel relocation to Fort Severn—we finally got that. Wind-assisted diesel generation study at Coniston—that has been in operation now for about a year and a half. Wind power initiatives at Courtright; Mud River wind regime, wind feasibility study; remote power programs; small hydro demonstrations; cycle-charged diesel. Peat inventory, MNR resource assessment study; peat densification analysis; dry mining of peat climatic analysis; peat dry mining handbook through the northern Ontario rural development agreement; greenhouse waste heat utilization at Inco; and heat-save program aerial thermography.

I had a group from the south go up to the north to look at the problems—what was good, what was bad and everything else—and articles appeared in the *Globe and Mail* and the *Toronto Star* as a result of that. They had expressed an interest to come with us on the trip, which they did.

It prompted Mr. M. R. Wilson, president and general manager of Barber Hydraulic Turbine, a division of Marsh Engineering Ltd. in Port Colborne, to write me a letter. It says: "I have been meaning to write to you since I spotted an article in the July 28 issue of the *Globe and Mail*."

"I believe that our company products could be of great help to Ontario's northern people, who

are almost solely dependent in remote areas on diesel generation.

"Enclosed with this letter is literature on our company. I would welcome the opportunity of further communication with you, with the objective of being able to assist in installing hydroelectric turbine generators in some of these northern sites.

"Barber's philosophy has always been that small hydro installations should be done on a turnkey basis whereby extensive studies can be greatly reduced or eliminated in order to concentrate the available funding for the project itself.

"Traditionally in this country the large consulting groups such as Acres, SNC, Monenco, and Lavalin have tended to use both their staff and experience on large hydro to carry out small hydro projects. Cost overruns are so great that small hydro projects never get built. Small hydro cannot stand the pre-feasibility, full feasibility and extended environmental studies which are a necessary part of large hydro.

"We do not dismiss the requirement for a proper feasibility study on the site, but many studies have already been undertaken by the Ministry of Energy or Ontario Hydro in the past.

"What the native people require is a cost-effective, simple, reliable, hydro facility that can continue to provide them with inexpensive water power for generations. Now, with electronics, most installations can be unmanned. The generator can be monitored and controlled remotely.

He goes on to say he disagrees with the present philosophy of Ontario Hydro and says: "I understand now that the Ministry of Indian and Northern Affairs is considering alternative energy in the north and remote areas and that before long native people will have a much greater say in who has control of their power generating facilities.

"I personally, and our company, would welcome an opportunity of exploring power requirements in the Lake Nipigon region. I would welcome the opportunity of meeting with you, perhaps in Toronto, in the foreseeable future."

There is a lot of new technology coming out. In your opening statement, you mentioned the Ontario Research Foundation is trying to develop the technology for off-oil generation of power.

When I ask the Ministry of Northern Affairs, they say they do not think it is technically feasible. Yet, I get letters from people in the business who would welcome an opportunity to use their technology. It is the same for people with solar systems and wind-generating systems

operated in tandem with traditional diesel generators. There are obviously advantages, because in the far north, fuel oil costs \$4 to \$5 a gallon.

Most of that money is being spent by the Ministry of Northern Affairs, which obviously has a vested interest in doing things better, and by the Ministry of Transportation and Communications, which operates air strips in those remote communities. Money is spent by the Department of National Health and Welfare and by education people in the north. What role can your ministry play in trying to assist the Minister of Energy in solving his off-oil energy concerns?

9:10 p.m.

You have kissing cousins in Ottawa who, I hope, will be easy to convince that there are viable alternatives, or at least alternatives worth trying. We could help certain companies. There are a couple of companies in Mississauga that have been leaders in the field of wind-diesel generation. There is this company, Barber Hydraulic Turbine, in Port Colborne.

Is there anything the Northern Ontario Development Corp. can do, even sit down and talk to those people? I am not talking about you spending any of your money, but about using your expertise to get people together to accomplish what the Ministry of Energy is attempting to do.

Obviously this would be in the best interests of federal agencies, ministries and departments working in the north and it would also benefit the people living in the north. If you try to tell someone living south of the French River that affordable energy is a luxury, you will have a problem on your hands. That is the situation north of the 51st parallel in this province, the most affluent province in the richest country on the face of the earth. Yet the northern part of it has nothing remotely resembling a reliable source of affordable energy.

Is there any way the NODC can use its people to go out and say, "Okay, let us sit down and analyse the problem as the Ministry of Energy sees it, as Ontario Hydro sees it, as the Department of Indian Affairs and Northern Development sees it, as the Department of National Health and Welfare sees it, as the Ministry of Transportation and Communications sees it"? In maintaining these airstrips, they obviously need a source of power, and the only alternative at present is to burn diesel fuel oil, sometimes at \$4 and \$5 a gallon.

Is there any way you can use your expertise, not necessarily your dollars, to get the players

together and see if you can satisfy an acute social need for the people who live up there and assist government agencies, ministries and departments? You could use your expertise to get them together, to identify the problem, to see where the technology is that might solve the problem.

Let us get on with the business of dealing with those people in the far north and giving them services you and I have taken for granted for far too long but have denied them.

Hon. F. S. Miller: We gave a couple of examples, in some of the background papers we are preparing for members, of assistance to small business branches, including help in developing new alternative generating systems. Gull Energy Systems had small hydroelectric generating units and managed to get quite a few dollars' worth of new sales as a result of a small amount of help from us. We also had some solar systems with a company called TPK which, with our help, resulted in over \$1 million in sales.

Those are not the kinds of things you are talking about, but they show we have been developing all kinds of alternative energy sources. I am not sure if we have thought about whether we should or not as part of our role, because the Ministry of Energy has been given a pretty clear mandate to try to get in some of those systems. I think the writer has a reasonable point when he says that very often too much of the total amount of money is used on a feasibility study as opposed to an installation. That tends to happen.

The days of the small electrical generating system went out a few years ago. I was working on one in my own riding not long ago. The little village of Bala even has the headwaters, the dam and everything in place, but Hydro gave up generating any power there years ago. I think you will see the ministry—not my ministry—encouraging more small installations as part of the overall expansion. I hope we will see that, but I do not know whether we have a role to play.

Mr. Stokes: Surely the fact that a fellow reads a news item about conditions in the north and writes to me, an opposition member, saying, "Can you pull things together? We think we have a contribution to make," is an indication, to me at least, that there is a problem.

Hon. F. S. Miller: I think the answer is that a lot of people in the business world do not know how to gain access to government at all.

Mr. Stokes: That is what I am saying.

Hon. F. S. Miller: That is why you and I are so busy when we go home on weekends,

basically obtaining access to government programs of any kind for people who—

Mr. Stokes: Let me be more direct. If I answer this letter, saying I have raised it with you and your people would be prepared to sit down and see whether you could—

Hon. F. S. Miller: We would sit down and talk to him under any conditions. That is not a problem. If all we did was to direct him to the Ministry of Energy that had a program to do what he wanted, which he may have been unaware of, we could do it. I suspect that is exactly what it would be. The question then is to convince them that he is right. He may or may not be, but at least he would have a chance.

Mr. Stokes: I am going to do that.

Mr. McKessock: I want to make sure I am reading this Ontario Development Corp. chart correctly. Under "Terms (Years)" what does "Comm" stand for under the—

Mr. Croll: I do not know which chart you are looking at.

Mr. McKessock: It lists all the loans. Under "Terms (Years)" there is "5." There is a line under the "5" and then under there is "Comm: 10/83."

Mr. Croll: Those are the terms and conditions of the loan. This would be a demand loan. That loan is an industrial mortgage loan. Frankly, I cannot tell you exactly what that means.

Mr. McKessock: Would it be five years?

Mr. Croll: That would be a five-year term. I presume "Comm: 10/83" is to start repayment in the 10th month of 1983.

Mr. McKessock: You said that would be an industry mortgage.

Mr. Croll: Industrial mortgage.

Mr. McKessock: Industrial mortgage; what type of loan would "SB" be?

Mr. Croll: That would be a small business loan.

Mr. McKessock: "ES"?

Mr. Croll: Export support.

Mr. McKessock: "SF"?

Mr. Foulds: Science fiction. It might be true.

Mr. Croll: That is done by special financial services. I happen to know specifically about that one. It was a special situation. You may not find another "SF" in there.

Mr. McKessock: That one is interest-free, so it is one I am interested in. That is a special—

Mr. Croll: As to the particular one you are referring to, Airship Industries Ltd. in Great

Britain was looking for a place to assemble and flight-test some dirigible airships for use by either our government or—

Mr. Stokes: They assembled it at the Wardair hangar at Malton.

Mr. Croll: That is right.

Mr. Stokes: You put up \$200,000, did you not?

Mr. Croll: No, it was \$100,000.

Mr. Stokes: I thought it was \$200,000.

Hon. F. S. Miller: It was rental.

Mr. Croll: Basically, we picked up some rental on the hangar so they would have a place to assemble them.

Mr. McKessock: This says it is at Collingwood; Airship Industries Ltd., Collingwood.

Mr. Croll: No. There must be an error with that, because it was done in the Wardair hangar here.

Mr. McKessock: You mean it is not Collingwood?

Mr. Croll: No.

Mr. Stokes: My understanding is that, if they can get a certificate of airworthiness, there is an entrepreneur from Australia who is willing to take over the company and, if that is done, you are prepared to give a loan and guarantee of \$2.5 million.

Mr. Croll: We are prepared if they give us certain guarantees that they are going to continue to build airships here. It is what you were talking about earlier. It is to try to start an airship industry. That was the first baby step to try to encourage it.

Hon. F. S. Miller: They had to have a prototype model and to test it to see—

Mr. Stokes: When you get up to 20 and 30 tons payload, we will buy some for the north.

Hon. F. S. Miller: They have them designed for that size and we talking about them for that size.

Interjection: It is four or five years away.

Hon. F. S. Miller: That one was aimed at the United States navy, if I am not wrong.

Mr. Croll: Yes.

Mr. Stokes: For the coast guard, to get the drug runners; that is what they are using it for.

9:20 p.m.

Hon. F. S. Miller: More important, believe it or not, it was for invisible surveillance, because the airship does not show as a blip on a radar screen so it can sit up there and do radar

surveillance from the air without being picked up.

Mr. Stokes: It has a payload of only about 2,000 pounds.

Hon. F. S. Miller: Yes, the small ones.

Mr. Croll: There are larger ones being assembled in Britain.

Hon. F. S. Miller: As you recall, it was in Toronto for a while being demonstrated. I went up in it for a ride. It looked like the Hindenburg on a minor scale, so the first question I asked was, "What is new; what has happened since the Hindenburg went bang?" It is the gas they use. I knew they were using new gas; I took my lighter along to test it. It is helium, of course.

The real difference is in the technology of the whole structure but, more important, the manoeuvrability of the aircraft. It uses turbfans instead of propellers. They are not fixed, they rotate, and the craft is very manoeuvrable.

I think it has now been bought by the Australian gentleman who was the winner of the America's Cup. He is now the owner of Airship Industries, or one of the major shareholders.

Mr. Stokes: That great newspaper magnate from down under.

Hon. F. S. Miller: Was he a magnate? He was quite attracted.

Mr. McKessock: There are some more short forms here; the "TO" type loans?

Mr. Croll: That is tourism.

Mr. McKessock: And "HT"?

Mr. Croll: High technology.

Mr. McKessock: The interest rates vary considerably on these. How do you arrive at the interest rate?

Mr. Croll: The interest rate is set once a month by the corporation and it varies plus or minus one per cent from the mid-term borrowing rate of the Ontario government. We borrow our money, on which we pay interest, from Treasury, and that is the interest rate at which we loan it out.

Mr. McKessock: What would that be today?

Mr. Croll: It is roughly the rate of the long-term Hydro bonds, so it is a little less than 13 per cent right now. I think it is about 12.5 per cent or 12.8 per cent, although I am not sure.

Mr. McKessock: These loans that are in front of us have all been issued this year. Is that right?

Mr. Croll: If that is this year's—

Hon. F. S. Miller: That is 1983, I think.

Mr. Foulds: It is 1982-83.

Mr. McKessock: There is a high-tech loan here at the interest rate of 16.5 per cent. There would not be any loans put out at that high interest rate this year, would there?

Mr. Croll: No. The interest rate does follow the interest rate for very high quality, long-term money. Basically, we are putting the borrowing power of Ontario Hydro at the disposal of small business.

Mr. McKessock: I am wondering how there could be such a difference. I think I read here that tourism was two per cent less, but in this case it is six per cent less. The high-tech loan is at 16.5 per cent and the tourism loan is at 10.5 per cent.

Hon. F. S. Miller: It might depend on the time the contract was made. You will find at times that an agreement is made with the borrower at a point in time and the money is not drawn down until a later point, but the rate has been agreed upon.

That happens if, for example, you made the agreement at the 10.5 per cent rate and the money was reserved for you or the contract was established at that figure. You may actually get your money a year later. That is why there can be a difference in the rates.

I have seen it happen that someone was given a certain amount of money or a credit line that he did not totally use and ODC has honoured the total amount, even though it came through a year or so later. I have seen the tourist operators in my riding say: "I still have \$35,000 or \$40,000 or \$50,000 left in my ODC line. It is only at 10.5 per cent, and look at the bank rate today. I might as well spend that money and then borrow it."

It can be the reverse. If you made your deal when the interest rates were quoting were a little higher, under those conditions you are not quite so willing to take it through if the interest rates have dropped. The time of the original agreement explains it. I could be wrong.

Mr. Croll: No, I think you are quite right on that. The rates during that year reached a high of 16.5 per cent and, I believe, went all the way down to 12.5 per cent. Tourism gets a two per cent break anyway, so tourism would go at 10.5 per cent.

Hon. F. S. Miller: Actually, if you have looked at the success part of the Ontario Development Corp. lately, you would have found that its tourism loans, particularly the tourism redevelopment incentive program loans, have been one of its most successful programs overall, where we have had the best results after the lender made the deal with respect to creating

jobs, repaying, etc. So the tourism loans have been among our most successful. They probably create more jobs per dollar put out than almost anything else too. I have a basic interest in those in my area.

Mr. McKessock: Does the tourism redevelopment incentive program loan correspond to the Ontario business incentives program loan for industry?

Mr. Croll: No. The OBIP loan is a program. Basically, the corporation either lends money or guarantees a loan from another institution. Then, according to the financial requirements of the company, we may change our repayment; we may defer the requirement to pay principal or interest until the company is able to do so.

Mr. McKessock: And TRIP is tourism—

Mr. Croll: Tourism redevelopment. The basic purpose of that loan was to expand tourism facilities and also to get them refurbished. One of the problems tourism has is that tourism people tell me the plant should be refurbished once every five years, and we average about once every 10 years. A major purpose of that program was to get the tourism industry to bring its plant up to snuff and attract more tourism dollars to the province.

Mr. McKessock: What do "GO" and "GI" denote?

Mr. Croll: Those are government of Ontario guarantees, I believe, and they would be government of Ontario guarantees with an interest incentive.

On interest, if we feel the cash flow of the company requires it, what we may do is pay part of the interest on the loan rather than lend the money out ourselves.

Mr. McKessock: In both of these cases, the rate of interest is nil. You say you are guaranteeing the loans.

Mr. Croll: We would not charge any interest on that.

Mr. McKessock: No. They are actually buying at the bank and you are guaranteeing it.

Mr. Croll: Yes.

Mr. McKessock: But you may also be giving them incentives.

Mr. Croll: That is possible. I would be glad to go through the details of any of those loans with you. They are matters of public record, but I do not have them all in front of me.

Mr. McKessock: You can go through that one now, you mean?

Mr. Croll: No, not now—

Mr. McKessock: Oh, at some other time.

Mr. Croll: —but I can get the file, which is about so thick, and find out the specific details.

Mr. Chairman: We probably do not have time to go through each one tonight.

Mr. McKessock: I just meant that one.

Was the help entrepreneurs loan program loan the one the member for Algoma-Manitoulin (Mr. Lane) was talking about at the start?

Mr. Croll: Yes.

Mr. McKessock: Under \$20,000. What interest are those loans going at?

Mr. Croll: The financial officer who is looking at the loan can charge up to the corporation's base lending rate or can defer it, the same as in any other loan, depending on the cash flow requirements of the project.

Mr. McKessock: You can defer it.

Mr. Croll: Yes, you can defer it.

Mr. McKessock: So it could be interest-free for so many years?

9:30 p.m.

Mr. Croll: Yes, for one year. There are three stages in that loan. The first stage is a \$5,000 loan, the second stage is a \$15,000 loan and the third stage is a \$30,000 loan. The average of 84 that we have done so far has been right on what the minister said, that is, \$12,000. That is what we have loaned out. The average size of company coming to us has been three people, so it is a very small amount of money going to a very small company.

Mr. McKessock: How many of these loans have you made?

Mr. Croll: We have made 84.

Mr. McKessock: In your opening statement, right at the end where you seem to be pushing a lot of things together, you say: "We are firmly committed to the use of advance technology in many areas. But at the same time we also believe that the boom in the small business service sector offers at least as many opportunities."

Do you give loans to the small business service sector?

Hon. F. S. Miller: Mr. Croll can correct me, but my understanding is that we have stayed away from the service sector in general with ODC loans. They have been aimed at the tourism and manufacturing sectors.

Mr. McKessock: I agreed with your statement there. I often have service sector people coming to me wondering how they can get

assistance if they are in the plumbing business or they want to open a retail store.

Hon. F. S. Miller: The answer there is, if you look at the real job creators, you cannot have a busy service sector unless you have demand created by your manufacturing, tourism and agricultural sectors of the economy. We have concluded that there are very limited resources that government could put into lending programs, even though in dollars we are talking—I do not know how many—\$30 million or something of that order a year?

Mr. Croll: Approximately.

Hon. F. S. Miller: That sounds like a lot of money, but compared to the amount of money needed by Ontario's businesses, it is an infinitesimal drop in the bucket. We have to target it to the kinds of investments that have the ability to create jobs, not only in manufacturing, but as a result, in service. People on the main street of a town—plumbers, electricians, carpenters and retailers—do well only if the agricultural, tourism and industrial base is doing well.

It is axiomatic that there is always a lot of competition for growth in the service sector without much government assistance. So with very little help we have to target the part that really creates the jobs, which is manufacturing, tourism and agriculture. Agriculture is not within our mandate per se. Another ministry has that responsibility. We have targeted tourism and manufacturing.

Mr. McKessock: In the estimates briefing book under agency activities on page 4-8, it says: "On behalf of BILD or on request from other ministries, the corporation"—and this is talking about the ODC—"provides screening, evaluation, processing and administrative services for a number of other Ontario government financial assistance programs."

I wonder if you might outline the other government financial assistance programs you are talking about?

Mr. Croll: We have done analysis for a great many ministries. We have done it for Agriculture and Food in regard to agricultural loans for its food storage program above a certain level. We have done it for Natural Resources, Northern Affairs, Health and really any ministry that is considering something that essentially involves a business transaction. We have a group called the special financial services group which provides staff analysis to the BILD subcommittee of cabinet.

Mr. McKessock: You mentioned agricultural programs. I understand some of them, but are there any others? Can you give me an example in industry?

Mr. Croll: How about tourism, the marina program, which is basically administered by Northern Affairs? When they get the deal started, we will work with them and help them put it together into a legal agreement. We have a legal staff. We also have a negotiating staff. Rather than duplicate that service across government, since we have a lot of that activity, we will do it for other ministries.

Mr. McKessock: Okay.

Hon. F. S. Miller: We had some fairly large ones such as Messerschmitt-Bjorkow-Blohm GmbH where you were involved in some analysis.

Mr. Croll: Yes.

Hon. F. S. Miller: How about American Motors-Renault?

Mr. Croll: Yes. The group would also provide analysis to a major project such as a Honda or a Mitsubishi.

Hon. F. S. Miller: We often use the lawyers from the ODC group.

Mr. McKessock: You have explained well what your job is, but I also want to know what those programs are.

Hon. F. S. Miller: They are actually not our programs and are not within the estimates we are debating today. All we are doing is offering services to ministries that have financially related programs, but do not have financial analysis capabilities. Rather than having financial analysts in their ministries, they come to ODC for analysis and advice on the project they are about to finance. That is what our service is.

Mr. McKessock: Are all the BILD programs administered through another ministry?

Hon. F. S. Miller: BILD is only a vehicle where a decision is made. Funds are flowed through an operating ministry.

Mr. Croll: For example, the high-tech program we have is funded by BILD. In fact, the tourism redevelopment incentive program is a BILD program. As I was saying earlier, although you are looking at a chunk of the funds, it is really less than half the activity in terms of the financial programs that come under these estimates.

Mr. Foulds: I am frankly astonished that we have such a pitiful and inadequate annual report from Northern Ontario Development Corp., Ontario Development Corp. and Eastern Ontario

Development Corp. When you look through the ministry's reports, there are all these jazzy things with nice covers, pictures and some explanation. I may disagree with the jazziness and I may decry the expense of them, and I do, but when—

Hon. F. S. Miller: You might be getting yourself on a hook you do not want to be on.

Mr. Foulds: Okay. However, I look at the list you and I have, which is 1983. Do we have something more recent?

Hon. F. S. Miller: I should really let you get on a hook. I think you will find there is an annual report; this is a report of loans. Is that correct?

Mr. Croll: Yes.

Mr. Foulds: This is what was given us in our background kits as critics.

Hon. F. S. Miller: Those are specific loans which are the kind of thing—history tells us that members of this committee are often interested in things related to their ridings. Annual reports often do not have that kind of detail.

Mr. Foulds: Why do we have 1983 instead of 1984?

Hon. F. S. Miller: That is a good question. I was asking that question myself. It is obvious that 1984 is not done yet. Looking at the date, I cannot tell you. Perhaps Mr. Croll can tell us how close it is to being compiled.

Mr. Foulds: This is September 1983.

Mr. Stokes: The covering letter is dated September 1983.

Hon. F. S. Miller: I understand that. I assume one is due about now.

Mr. Croll: I believe it is being forwarded.

Hon. F. S. Miller: With my signature?

Mr. Stokes: Have you been too busy with other things to sign it?

Hon. F. S. Miller: No, I have signed right up until 6:22 tonight.

Mr. Croll: It is not being held up in your office, but there is a summary of loans and guarantees which has gone forward to the ministry.

Hon. F. S. Miller: We have next week. All I will ask is that my staff locate the most recent version and get it to you.

Mr. Croll: Sure.

Mr. Foulds: Okay. You may have got me off the hook, but—

Hon. F. S. Miller: I just thought I would let you remain there.

9:40 p.m.

Mr. Foulds: I was struck by Mr. McKessock's questioning that it would be useful, even in that report, to have a total for each of the subdevelopment corporations. There is no total provided in this report; there are just individual ones. It would also be handy to have a covering page that describes what the heck the initials mean for anybody who wanders into this committee, benighted or uneducated in the alphabet soup of this ministry, to understand what the acronyms are.

Mr. Croll: I agree that it is extremely difficult to get a handle on all the activities of the corporation. I have a better one that does describe the activities of the corporation, which I would be glad to give you. This has already been forwarded to all the elected representatives.

We also prepare an annual report that is not the same document as that; that is a legislative requirement. That one is just hot off the press for this year and does describe this year's activities and is also sent to all the members.

Mr. Foulds: Do you keep a record or publish a record of defaulted loans?

Mr. Croll: Yes, we do.

Mr. Foulds: Is that published annually as well?

Mr. Croll: Contained in our financial statements is the amount of money we have written off every year.

Mr. Foulds: It does not itemize those?

Mr. Croll: No, but that is available, if you would like to look at it. The success rate of the corporation is about 85 per cent since inception.

Hon. F. S. Miller: The success rate is a measure of dollars paid back per dollar loan.

Mr. Foulds: Sure.

Hon. F. S. Miller: I am not sure that is the success rate you would want to interpret as being necessary. Indeed, a lesson I learned in the car business was that if you were not losing a certain percentage of your commercial credit, you were being cautious with your lending practices. As a prudent lender you were taking only good risks and you were losing an element of probable risks that would have paid off. The same is true of this corporation.

Remember we are the lender of last resort. We should be taking risks that no commercial lender would take and we should be having a fairly high loss rate. The question I remember asking my staff when I was told we had a 15 per cent loss rate was not, "Why is it so high?" but, "Is that a

statement of the true loss rate or are we hiding something from ourselves?" As I recall, they assured me that often at the request of a member, we nurse somebody along whose loan otherwise would have been called.

Mr. Stokes: I can attest to that.

Hon. F. S. Miller: Very often the person succeeds. Indeed, if we had not nursed him, he would not have. We see that as a function of the ODC.

Mr. Foulds: I made no comment about it being too high or too low.

Hon. F. S. Miller: I just wanted to get that on the record because I think there is a tendency to compare us with the Bank of Montreal or the Toronto Dominion Bank and say, "Why are you losing more money than they are?" We should be losing more money if we are doing our job right. Our job is not necessarily to recover all the money we loan, but to take fair, prudent risks in the interests of stimulating employment that are above and beyond the normal margin of commercial risk.

Mr. Foulds: Stimulated by something my colleague raised, I would like to ask why there are no loans to co-operatives or to native bands in the list I have in front of me? Why does that not happen?

Mr. Croll: When people apply, we will make loans. We have made loans to co-operatives and I am sure we have made loans to native people. I cannot say we have loaned to a band. I really do not know, but I do know we have loaned both to native people and to co-operatives.

Mr. Foulds: When I go through this 1982-83 annual report of loans made and guarantees given for northern Ontario, I see none.

Hon. F. S. Miller: In fairness, you and your colleague know the north better than I do and will know the real problem is not getting money for a project by native people. I really do not think that is the problem. If one ever looks at Ogoki wilderness lodge and a number of similar programs, one would probably be criticized for throwing too much money at them. In my riding, Cranberry Bog has been financed by the agricultural and rural development agreement and other programs. It has been very successful for native peoples.

I have seen us loan or grant moneys to native people that anyone in the same position who was not a native person would never have a snowball's chance in hell of getting. That is because we are so anxious to help almost anything that appears to be creating employment on the

reserves. Apart from ODC, there are a lot of vehicles doing that. That is the point I am trying to make. The federal government, the Ministry of Natural Resources and a whole bunch of people have been in that business.

Mr. Foulds: I do want to underline, from what I can interpret from that report, that in northern Ontario there were no loans made to co-operatives, native bands or native groups.

Hon. F. S. Miller: On the other hand, were any turned down?

Mr. Foulds: The point is that your ministry presumably, and the Northern Ontario Development Corp. in particular, is designed to encourage the development of industry that creates jobs, small or large—

Hon. F. S. Miller: Yes. But you do not go out and—

Mr. Foulds: Let me finish for a minute.

Hon. F. S. Miller: Sure.

Mr. Foulds: It is designed to encourage the development of industry that creates jobs in various underdeveloped parts of the province. This may be a superficial judgement, but at least on that basis, it appears to me that you are not doing your job. Either you are sold on an obsession with entrepreneurship that does not meet the requirements or measurement of co-operatives or native bands, or you are failing to develop long-range plans that will work.

Hon. F. S. Miller: I do not think that is true. You would need to go back and look again at whether we have been turning down or doing anything to impede such requests. I do not think you will find that we have been.

Mr. Foulds: It is not a question of impeding; it is a question of encouraging and developing.

Mr. Stokes: It is a philosophical hangup that goes back for 100 years that any activity on an Indian reserve is automatically the responsibility of the federal government.

Hon. F. S. Miller: I do not think so. Let us go back to harvesting wild rice, which is one of the topics we have all discussed under other estimates at times, it is not?

Mr. Stokes: Yes.

Hon. F. S. Miller: Who put up the money for modern harvesting machinery? It was not the federal government.

Mr. Stokes: Oh, yes it was.

Hon. F. S. Miller: There was provincial money in harvesting machines.

Mr. Stokes: Some went through the Indian development branch of what is now the ministry of—

Hon. F. S. Miller: I am not saying that federal money was not there. I am simply saying that I personally saw machines that the Ministry of Natural Resources bought and put out; I have been in them. They are the ones that automate the harvesting of wild rice. We have given the rice gatherers the equipment to do it.

I think you will find we were involved in some fisheries assistance, if I am not wrong. You do not think we were?

Mr. Stokes: No. The northern Ontario rural development agreement is the vehicle we have been using.

Hon. F. S. Miller: NORDA still has Ontario money in it.

Mr. Stokes: NORDA is out. Now we have a new one, Nordev, the northern Ontario regional economic development program.

Hon. F. S. Miller: Yes, but there is still provincial money as well as federal money there. The other ones, I think you will find, were all from the Ministry of Natural Resources. All I am saying is that I do not think it is quite the picture you are painting that we are not interested in those Indian bands.

Mr. Foulds: I did not say you are not interested; I am saying you have failed, at least in 1982-83.

Hon. F. S. Miller: I think if you accuse the government of failing to solve native peoples' problems you are on fair ground.

Mr. Foulds: That is not the point I am trying to make. The point I am trying to make is that when I look at the 1982-83 annual report, I see no mention of a loan in northern Ontario to either a co-operative or a native band. If part of the objective of creating the Northern Ontario Development Corp. is to encourage investment in small business and otherwise, to create jobs in the underdeveloped parts of our province—at the beginning of our remarks this evening, mention was made of the so-called imbalance, in that more money goes into NODC loans per population than goes into ODC loans; and I have no quarrel with that—then surely part of the objective also is to take some initiative and find those co-operatives and those native bands working with NODC, working with the ministry—

Hon. F. S. Miller: In fairness, this is something we have tried to do. I am trying to think of the name of the band that is near Thunder Bay. You may know it, coming from that area.

Mr. Foulds: It is Gull Bay.

Hon. F. S. Miller: Gull Bay, yes. That is the band where Abitibi-Price got involved on the procurement of wood. It may not still be a successful experiment; I do not know.

Mr. Stokes: Very successful.

Hon. F. S. Miller: Very successful? I am glad to hear that, because again it was one of the occasions where, whether it was through loans or whatever—I am not sure—the company, the government and the Indian band were working hard to find ways and means to make that experiment succeed. I suspect that if you went back and investigated, no matter whether the vehicle was ODC, which I doubt, the Ministry of Natural Resources, NORDA or whatever, there were attempts to get the money into the entrepreneurs' hands to see that the jobs were created.

9:50 p.m.

I also recall being involved in one—I cannot think of the Indian name, but it means Sturgeon River—on the Quetico Provincial Park side; there is a single band a long way in there. I actually changed park policy to permit those people to earn a living; i.e., the park policy that you cannot have a motor on a boat in Quetico. I cannot think of the name of the river, but they are right on the boundary river.

We do have some successes and, sadly enough, an awful lot of failures. The failures are not rooted in economic policy. They are rooted in a whole bunch of other problems we have not learned to solve yet. I looked at the money spent by departments per Indian in sending staff or lawyers and all the things we did. My God, if we had not done anything except give the cash out—

Mr. Stokes: That is the problem. Fifty per cent of the money for all those programs is spent on administration. It does not get to the people it was designed to help.

Hon. F. S. Miller: That is unfair. The major employment program in the native people's world is providing money for advocacy roles which keep the people busy advocating.

Mr. Foulds: That is exactly the point I am trying to make. This is a natural, because you have your branch offices of the ministry working with NODC right throughout the province; if you have the vehicle there to provide the counselling we talked about earlier, it seems to be an opportunity we are missing out on a little bit and of which we should take note.

You said earlier that the average businessman does not know how to get access to government.

Actually just sitting in here this evening and listening to the alphabet soup of BILD, NODC, ODC and programs funded through Energy, Revenue, Industry and Trade and Northern Affairs, hell, I do not blame them. Is there not some way, without becoming a Stalinist—I know you have moved to the left wing, but without becoming a Stalinist—there could be some centralization or at least some central registry—

Hon. F. S. Miller: If you give my ministry a little more time, you may see the birth of something that is going to try to resolve the problem you are talking about.

Mr. Stokes: Are you going to give it more time?

Hon. F. S. Miller: It all depends on whether I am there. If I am there, it will have the time. If I am not there but where I think I will be, it will get even more time.

Mr. Foulds: Are you hinting, perhaps somewhat indiscreetly but broadly, that your ministry is going to take more of a lead role in co-ordinating BILD programs and loan programs?

Hon. F. S. Miller: Not necessarily BILD programs, but we do get involved simply in being the guide to and the advocate for small business.

I am tackling something else. One of the first things I said when I came to my ministry was along the lines of what you are bringing up now. I do not disagree with what you are saying. I am simply saying that government at all levels has become far too complex with redundant programs.

Mr. Stokes: They need a window.

Hon. F. S. Miller: Yes, and we do need simplification. They need somebody they can call on the phone.

Mr. Foulds: That is right.

Hon. F. S. Miller: But I am afraid of windows.

Mr. Foulds: Especially if they are glass and you stand behind them.

Mr. Stokes: The last one cost \$650 million.

Hon. F. S. Miller: I know the one you are talking about. It did not cost that. As a good socialist, you have to agree it was a positive development.

Mr. Stokes: You did not buy enough of it.

Hon. F. S. Miller: I do not know about that either, but what we are trying to say is that there is a real advocacy role needed in government, not only in terms of accessing programs but also in

terms of eliminating complexities in the bureaucratic system.

Mr. Foulds: That is right.

Hon. F. S. Miller: This ministry, with its mandate, is entitled to do that and we have seriously worked on it.

If you read the notes for my opening statement, I talked about the small business section of the ministry, which is about to bear fruit. It is about to show the results of a fair amount of work in an attempt to tackle some of those problems.

Mr. Foulds: Can I get back to that? I have a good deal of sympathy with it. If you are setting up a small business, a small business branch makes a lot of sense. What worries me, not so much so far in this set of estimates but in previous sets of estimates I have sat through, is the—how can I put it?

Hon. F. S. Miller: Politely.

Mr. Foulds: The blatantly cowboy, free enterprise nature. That puts it in its most pejorative terms. Let me put it—

Hon. F. S. Miller: I did not think that was pejorative at all.

Mr. Foulds: Getting back to my first point, you could overlook the legitimate business and job creation through co-operatives, native bands and what are not normally seen as entrepreneurial exercises but very well could be.

Hon. F. S. Miller: The real test is, if those organizations have a good idea that creates jobs, does government in any fashion help it? My case would be government has been so anxious to find any co-operative or Indian band willing to try something that funding has never been the biggest limiting factor; it has been getting the motivation and the idea and, particularly, the implementation.

That is entirely different from the role we currently have. It is still one that mystifies me. I used to say when I was in Natural Resources that of all the tasks I ever had, trying to deal with native peoples' issues was the most frustrating because I did not have the foggiest idea how to solve them. It is as simple as that. You spend endless hours negotiating and talking, and you find very serious native leaders who discuss the problems privately and frankly but who find it difficult to say the same things in public.

Mr. Stokes: I will share a document with you privately that will answer some of the questions. We have just started to make a breakthrough in the north, and I think you will be pleasantly surprised.

Hon. F. S. Miller: The problems will have to be solved. They are terrible.

Mr. Foulds: I do not expect you to have the answers at your fingertips, but there are six of these loans I would like to go through quickly. I am picking them at random because they seem to be a cross-section.

There is one for Allen Airways Ltd. of Sioux Lookout for rebuilding and servicing aircraft, northern Ontario rural development agreement, \$100,000, no rate of interest. I would just like to know why that one was granted. It looks like the job creation is between—

Mr. Croll: Which page are you on, sir?

Mr. Foulds: I think it is the very first page of the Northern Ontario Development Corp. It is the second item on page 1.

Mr. Croll: Yes.

Mr. Foulds: I would like more details about the \$100,000 loan. It looks as though the projected additional employment will be between three and 15. I would like to know why it was granted.

Mr. Croll: I am afraid we have 2,300 loans and I do not have them at my fingertips. Allen Airways Ltd., I seem to remember, is one that services some flying camps, and it has talked here about rebuilding and servicing aircraft. It is a NORDA loan. NORDA is one of the federal-provincial agreement loans, which do not carry any interest. That is the vehicle.

Mr. Foulds: None of the NORDA loans carry interest?

Mr. Croll: That is correct.

Mr. Foulds: I do not expect you to have the answers at your fingertips, but is there some way you could get back to me?

Mr. Croll: Sure.

Mr. Foulds: There are about six I wanted to mention to you. Maybe you could look at them and give me a brief summary so I will understand how the process works. I wish to know what kind of evaluation takes place and—what was the phrase the minister used?—to have a sort of cost-benefit evaluation.

Mr. Croll: Yes.

Mr. Foulds: It is now two years since the loans, by and large, were granted. Do you have an idea of how well they are performing?

Mr. Croll: Overall, yes. One of the ways which we judge whether we are being successful—

Mr. Foulds: Maybe I could give you the specifics, because I would like the case study.

After that, you could give me the general overall criteria and things you look at.

10 p.m.

The other one was on page 3, Gullwing Nurseries Ltd., Dryden. It is for trees and shrubbery and is also a Northern Ontario Development Corp. loan.

Mr. Croll: Those are first evaluated by NODC, then they go to a joint federal-provincial committee that decides on the—

Mr. Foulds: Could you let me know who is on that committee and what the judgement is?

Mr. Croll: The committee was the Department of Regional Economic Expansion—I am not sure who it is now; I suppose it must be the Department of Regional Industrial Expansion—

Mr. Foulds: It is DRIE now.

Mr. Croll:—and the Ministry of Treasury and Economics.

Mr. Foulds: Are they all civil servants?

Mr. Croll: Yes.

Mr. Stokes: The Ministry of Northern Affairs has input on those too.

Mr. Croll: Yes.

Mr. Foulds: On page 4, Manitoulin Dolomite Inc. has an export support loan of \$1 million.

Mr. Croll: The purpose of export support loans is to provide working capital for exports.

Mr. Foulds: I am also interested in the loan to Northern Breweries Ltd. Although it says Sault Ste. Marie, is the loan for all three operations of Northern Breweries? Once again it is \$1 million at 16.5 per cent.

Mr. Croll: They undertook a major revision to their operation.

Mr. Foulds: Was that in the manufacturing part of the Sault Ste. Marie plant?

Mr. Croll: Yes, I believe so, but I would rather go back and check specifically on that.

Mr. Foulds: That would be fine. The last one I was interested in is Sandraico Manufacturing Ltd., Thunder Bay, wood products. Would that be an incentive loan?

Mr. Croll: You have got me on that one. I guess it is a sawmill, but I do not know.

Mr. Foulds: Those covered a cross-section of different parts of northern Ontario, with different amounts and so on.

What is the process for making an application? They make an application to the local Ministry of Industry and Trade office. It is approved by the

local officer, who gets it into shape, and it goes to a committee. Is that correct?

Mr. Croll: It depends on the size of the loan which vehicle is used. The process gets started earlier than that. It is possible that a Ministry of Industry and Trade representative could have talked to the company prior to its coming to us, financial assistance being one of the requirements.

We would then look at it and, depending on the size of the loan, approval might be made in the office. It might be made at the staff level, but if it were more than \$100,000, it would go to the board. That is a board of directors basically of small businessmen from the north. If it were more than \$500,000, it would go to cabinet for approval.

Mr. Foulds: I think I have probably dominated enough; so I will pass it to other members who have questions on the Ontario Development Corp. or the Northern Ontario Development Corp.

Mr. McKessock: Mr. Croll, while you are looking up information for my colleague, would you send me a synopsis of a couple? You mentioned "GO" was government of Ontario guaranteed. What does "GI" stand for?

Hon. F. S. Miller: Gastrointestinal.

Mr. Croll: Our alphabet seems to be confusing. It is a guarantee with an interest incentive where we give the borrower assistance on interest.

Mr. McKessock: On page 1, could I have a rundown on the Airship Industries Ltd. \$100,000 loan?

Mr. Croll: Yes.

Mr. McKessock: And information on the Brite Millwork Ltd., \$165,000 GI loan.

Mr. Croll: Yes.

Mr. Foulds: Regarding the loan to V. B. Cook Co. Ltd., miscellaneous services, \$100,000.

Mr. Croll: That is in the ODC section too?

Mr. Foulds: No, the NODC section, page 8.

Mr. Croll: V. B. Cook, okay.

Mr. Foulds: There was one more. I am sorry, I missed one, here on page 2, the Barrie Raceway, \$600,000 OBIP.

Mr. G. I. Miller: I think we have questioned the northern Ontario program for ODC. My concern is southern Ontario and we have a few people who have made applications to ODC. For example, one man who is in the lumber and

trucking business wants to set up a branch to treat lumber with pressure treating. The corporation was not very receptive. He was not able to negotiate an agreement with ODC, yet he had considerable equipment and could have employed five or six people. To this day he has the equipment but has not got anything in motion.

I just wondered about the criteria. The minister indicated that you are targeting, and I recognize that, but does unemployment play a role in targeting and does that signify the applicants should have a better opportunity as far as the loans are concerned?

Hon. F. S. Miller: Officially no, but unofficially yes. The reason for three development corporations, as I said before, is to allow the corporations to reflect the economic conditions which often are measured by unemployment in the different parts of the province.

If you are within the ODC area—which you are within—in theory there would be no difference between loan applicants' success rates in Markham and Chatham. Markham is the highest-income area of the province with one of the lower unemployment rates, and Chatham would be at the other end, not necessarily with the lowest-income rate but certainly with one of the higher unemployment rates.

Indeed, though, if we have an opportunity to look at a company from one of the high unemployment areas, it obviously gets more encouragement. I do not tell the board what to do in a normal ODC application, but at times I can offer advice to the board as to whether it is within the ministry's hopes and objectives to see a company go into a community where we are having employment problems.

I guess if you asked Mr. Croll whether that was spelled out in any way in any one of the development corporations, he would say it is not quite spelled out. It is more the kind of political pressure that is exerted by individual members—

Mr. Stokes: Or good common sense.

Hon. F. S. Miller: Yes—and who represent the interests of that area. Very often I get a call from not just my own colleagues, as you know, but any of you, who say: "We have a problem in this community. Can you help us look at it?" Very often it results in an appeal. If somebody is turned down the first time, we are asked to look at it again.

So I would say you, in fact, do allow for the state of the economy in any given community, but you still have to—

Mr. Stokes: I did it when Larry Grossman was there and succeeded too.

Hon. F. S. Miller: You do not need to say that today.

There is a tendency, too, for all of us in politics to do one of two things. One is unkind to the potential borrower and one is foolish from the lender's point of view. One approach is to go back and ask for appeals on a case where, in our hearts, we know there is no good reason for a review and we think that ODC or NODC has probably been wise in saying no.

10:10 p.m.

I have been party to that kind. I have watched a person ask me, in disbelief, in my home town, how the ODC could ever turn him down, how they could ever think his project was not good. In my heart I did not believe it was good, and the fairly analytical assessment of the corporation said it was not, but after listening to this gentleman two or three Saturdays in a row, I went to the ODC—this was years ago—and said, "Would you look at this?"

Six months passed while they carefully went through everything and their answer was still no. It was a slow process because I guess we were urging them to look at it. All I managed to do was let that gentleman lose his life's savings in those six months, savings he would not have lost if the answer had been a quick one. In other words, it is cruel to be kind, or however the old saying goes.

I feel that sometimes by appealing a case which we know in our hearts we should not be making much noise about, we cause problems for the borrower. On the other hand, there are times when pressures are put on us to make a bad loan, and we do. That also is not in our interest, when you think that none of the economic criteria is being met.

Every so often those pass too, for all kinds of good reasons that are almost always the result of pressures from members to see something pass through. So we often do suggest to ODC that it re-examine something.

Mr. G. I. Miller: I appreciate your comments, and I am not one to support something that is not going to be successful or reasonable, but in this case the people have been in business for a long while and I trust their judgement too. After watching their operations, I think they have been fairly successful—

Hon. Mr. F. S. Miller: I am just trying to explain the way you get there.

Mr. G. I. Miller: Okay, but, again, the man does have a company in the lumber and trucking business employing approximately 150 people, and this would be another branch which, because

of his contacts in the lumber business and the trucking industry, could have and should have been successful. I think some of the red tape drove him away from it. I would certainly like to see you have another look at it.

The other applicant was an American company, known as Wheeling Industries of Canada Ltd., in Dunnville, which was phasing out its operation and the manager was trying to re-finance for the export market. Again, he made application in Dunnville, where we do have extremely high unemployment—I think it runs something like 20 per cent—and again he was not successful in arranging financing. I wondered if there was any priority given—to get back to the same question—to the relationship of unemployment and the funding?

I was interested in the comments made where the return on the dollar investment was extremely good. Why are we not utilizing it a little more extensively, in such cases as I am suggesting?

Hon. F. S. Miller: First, I do not know whether the case in Dunnville was or was not a good credit case, on which I assume it was judged by ODC. I can only assume they thought it was not adequately financed. I run into a lot of people who feel they have the right to put up virtually nothing of their own and we should put up all of it. That is not our role.

Every Saturday—or whatever day you are there—you must meet people in your riding office who simply say, “I have an idea; please give me the money.” Do you not?

Mr. G. I. Miller: No. My approach is to direct them to the office of the ODC.

Hon. F. S. Miller: I did not say you judged them, but you must—

Mr. G. I. Miller: No, I let them judge.

Hon. F. S. Miller: You are very glad to let us say no, are you not?

Mr. G. I. Miller: No, I was just questioning the fact that these applications were not successful, again because of the factors I indicated, such as unemployment—

Hon. F. S. Miller: I guess the difference between being a government member is that you dread the thought of sending them on for a “no,” if you are a government member. If you are an opposition member, there is always a slight degree of satisfaction in knowing that the “no” will be directed against the government and not against yourself.

Mr. G. I. Miller: No, that is not true. I have never taken that slant. I want to help create employment in my area and to take advantage of

the programs the province has offered. I do not feel they are your programs, Minister. I feel they are programs financed by the money of us all. If they are there and they are going to be useful, I think it is our place to make the program officials aware—as you are—that the applicants are not gaining the satisfaction they deserve.

One area of concern you have mentioned is about targeting the agriculture industry, and I guess you realize—because I think you have been connected closely to the farmers—the financial difficulties a lot of them are having.

One area of the industry that too much attention has not been focused on is the farming equipment dealership. I do not know if it is your mandate, but apparently it is not, because we have directed people—not only in my riding but in the area—to get financing, again, for a part of an industry that the farming people cannot survive without. There is nowhere that I have been able to locate where they can get assistance for that area.

Hon. F. S. Miller: It is not within our mandate and I do not think it should be. I believe you have to leave the financing of inventory for dealers, be they automobile or farm implement dealers, to the acceptance companies and the banks and the manufacturers. I know and you know that in these days of low sales, the manufacturers are often putting inventory out at almost no cost to the implement dealer.

The only thing I did at one time—and I think we tried to resolve these problems for them—was to look at the capital tax levied against farm implement dealers, based upon their inventory and, therefore, their total outstanding commitments on that inventory, because it is subject to capital tax. I think we tried to help them through the slow sales days by taking some actions to help them.

Really, though, the financing of inventory or retail sales of that nature has not been, nor do I think it will be, part of our system. I look at my one son's inventory. Any day of the week he has \$5 million sitting there. Do you realize how far \$30 million in the province could go if we started that? I do not know what the average inventory of farm implement dealers is but I bet it is a fair number of dollars.

Mr. G. I. Miller: No doubt about it.

Hon. F. S. Miller: What would you guess it to be?

Mr. G. I. Miller: I think it would actually be close to the \$30-million range.

Hon. F. S. Miller: Yes. Bracebridge is hardly a big town, and if you are sitting on \$5 million in inventory—

Mr. G. I. Miller: I think the building and the operation, the maintenance portion of it, is perhaps a key component. That is basic, and then the financing of the equipment perhaps should be done the same way as with the automobile industry, and I guess it is.

Hon. F. S. Miller: The banks and the acceptance companies finance inventory. Getting flooring is the easiest thing in the world to get most days. What you cannot get money for is an asset that cannot be resold. "Flooring" is the word used for money advanced against new inventory, so if you are buying a newer combine, and you get 100 cents on the dollar, you do not have to put a cent to get the stuff there. What you do have to pay is the interest.

Mr. G. I. Miller: The interest rate annually.

Hon. F. S. Miller: What has happened, as you know, is that many companies will give you six or eight months' free interest to take combines in January, when they do not expect to sell them until August.

Mr. G. I. Miller: They have not sold a lot of those. They have a lot of reposessions that they are trying to get on the market, too.

The other thing is the export support loans. Some time ago, I referred Simcoe Leaf Tobacco

to you to find out if the company could work under that program. Were they able to help?

Hon. F. S. Miller: I cannot recall, Gordon. I would have to find out for you and I will tell you, gladly, at our next meeting.

Mr. Chairman: Committee members, the bells are ringing now, for me and my gal. I wonder if we can carry this one vote tonight. Are there any further questions on this?

Mr. O'Neil: I have one short question. You mentioned before that it was not really a lack of funding going to eastern and northern Ontario by the figures that were shown in there. Do you have the figures showing what came through tourism in some of these other areas?

Mr. Croll: Yes, the total we have done.

Mr. O'Neil: I would like to have a look at that, if I may. I would also, like the other members, like a list of the new loans that have been given last year.

Mr. Croll: Yes.

Vote 2304 agreed to.

Mr. O'Neil: When are we meeting next week?

Mr. Chairman: Tuesday night, eight to 10:30 and Wednesday morning, 10 to 12:30. That should end these estimates.

The committee adjourned at 10:21 p.m.

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No. R-40

Hansard

Official Report of Debates

Legislative Assembly of Ontario



Standing Committee on Resources Development
Estimates, Ministry of Industry and Trade

Fourth Session, 32nd Parliament
Tuesday, November 27, 1984

Speaker: Honourable John M. Turner
Clerk: Roderick Lewis, QC

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, November 27, 1984

The committee met at 8:04 p.m. in room 151.

ESTIMATES, MINISTRY OF INDUSTRY AND TRADE (continued)

Mr. Chairman: We are ready to continue the estimates of the Ministry of Industry and Trade. I believe we have one handout to come forth, and that is the annual report of the development corporations for 1983-84. There was concern raised that our information was not totally up to date, it was a year old; however, now we have copies of the 1983-84 report and we will have the clerk circulate those.

On vote 2301, ministry administration program:

Mr. Chairman: We are ready to proceed with the administration program, vote 2301, which is traditionally one that has a fair bit of latitude to it. For any members who want to come close to the administration of the program, we will entertain questions at this time.

Mr. Foulds: I have four or five questions that would fall under this vote quite legitimately. I would like to know what ministry takes the lead when it comes to economic development in the province. Is it your ministry? Is it the Ministry of Treasury and Economics?

Hon. F. S. Miller: The Ministry of Treasury and Economics is officially the lead ministry for economics in the government.

Mr. Foulds: No, I am talking about economic development.

Hon. F. S. Miller: Let me put it this way. The implementation is usually done through a ministry like ours. We do not have an exclusive on economic development, obviously, but probably more of it comes through our ministry than any other single one.

The Ministry of Treasury and Economics used to have almost all the economists of government. Today, there are more in the ministries than there are in total in the Ministry of Treasury and Economics because ministries have wanted what they call "hands-on" economists on site, as opposed to the more theoretical work of the Ministry of Treasury and Economics itself.

I recall being somewhat nonplussed with that when I was Treasurer of Ontario and Minister of

Economics, feeling that economic development was more the domain of that ministry, but one has only to move into another ministry to realize there is a need for economists on site.

For example, in automotive development you will find economists in the Ministry of Treasury and Economics who spend most of their time on an overview of the directions in which the industry is going. In truth, the one or two economists in our ministry who specialize in the automotive industry would say they are more in touch with the practical problems of the industry than the Ministry of Treasury and Economics would be.

Mr. Foulds: The problem I have is this. Obviously, one does not want to create a monster in a superhuge Ministry of Treasury and Economics, but as I look at government programs—be they the Board of Industrial Leadership and Development, which is administered through a number of different ministries, the Northern Ontario Development Corp., the Ontario Development Corp. loans or the developments made through your ministry—there seems to be some confusion.

If there is no confusion, there seems to be at least a potential for war between ministries over who has the muscle, who takes the lead. Because you have had the unique experience of being Minister of Natural Resources, who has some economic impact on the north, of being the Treasurer and now the Minister of Industry and Trade, I want to ask you what is the unique role and justification for this ministry in economic development?

Hon. F. S. Miller: If I were using economist jargon, I would talk about macroeconomics and microeconomics. We would practise more microeconomics than macroeconomics. We are trying to deal with the actual problems and make them work. The Ministry of Treasury and Economics has an overall function to create an environment and a setting that permits the specialized ministries to perform and in effect make certain allocations of funds which are used by the ministries in a more specialized way.

For your information, I asked that same question of my staff early on in my approach to this ministry. Since I had asked it in the other ministry, I thought I would ask it in this one to see

how they saw the difference in their role. I am not sure who my deputy would think best qualified to answer that kind of question but I thought staff gave me a pretty good answer, and rather than have me paraphrase it perhaps one of them would like to explain how they see it.

The question of potential for war is fair comment in any company that is large or in a multidepartment entity like government. War is not a function of economists being in two places; it is a function of how much willingness there is to co-operate among ministries.

Mr. Foulds: It is also a result of whether or not the structures are integrated or ad hoc, competing structures.

Hon. F. S. Miller: Let me give you an example. I was looking at some problems, which I referred to recently without much detail, in a program to assist Ontario's companies buy and apply high technology equipment. We got into a discussion about the various mechanisms to make it work. One, which concerned me, was the tax system and how it would slant decisions to our province or into specific kinds of equipment.

Very early in political life, when I was the Minister of Natural Resources, I undertook a review of the Mining Tax Act and got quite involved in that rather complex piece of legislation. I recall the Treasurer of the day gently saying to me, "You know, do you not think it would work a lot better if you invited one of our economists to sit in on your deliberations so our ministry was current with your thoughts and maybe you would be current with ours?" That was done, and indeed, we made good progress.

Whenever one is into, let us say, the intersections of sets of responsibilities, and there are intersections in sets of responsibilities as there are in numbers in the new math, you will have areas where both ministries will be quite properly within their domain, but also in each other's domain, in the intersects. When you get into those areas and we are indeed talking about a tax change which we see as being necessary, Treasury may be studying the same problem or may be unaware of it. If we want Treasury to be co-operative and consider having a tax change, it is smart to have one of their people, be it an economist, which it usually is, or a tax expert, listening to our people deliberate that aspect of it.

Mr. Foulds: In that case, the final decision would be Treasury's.

Hon. F. S. Miller: Sure, it has to be. All I can do in that case is say I believe this kind of tax change would be helpful.

Mr. Foulds: Could you tell me what the top three priorities of your ministry are over the next year?

Hon. F. S. Miller: I guess we must be reading your mind. There is essentially one priority: to create jobs in the province.

Mr. Foulds: How does that differ from Treasury's priority?

Hon. F. S. Miller: Again, I am the implementing ministry as opposed to Treasury having a macro or overall view saying, "We want to create jobs by creating the environment for them." This ministry will have certain specific objectives.

The best way to discuss this is to look at the two original parts of the ministry, industry and trade, both of which have a role in making jobs more available. The industry side's job is to bring more brand new companies into Ontario to invest, to expand existing companies and to make existing companies more cost competitive, so personnel there would focus on encouraging the application of new technology and investment in this province.

As a small country, the other part of the picture is the other half of the ministry, trade. They say, "If we have competitive companies and aggressive selling effort we can sell more products in other parts of the world," which also creates jobs.

The two of them are tied together closely. You will not get a great increase in export sales or a stable, dependable export market if you do not have products that are well made and at least competitively priced in the world market.

Therefore, we would use those two parts of the ministry to jawbone companies, to talk about selling overseas, which we are doing a lot, and to make them look internally at their own competitiveness.

Mr. Foulds: Okay, you give me one priority, which is to create jobs. It reminds me of Gordon Walker when he stepped into the ministry and said his priority was jobs, jobs, jobs; and the only announcement he made was on the nine-job plant of Sanyo, I think it was. Let us just deal with that for a minute.

You said you are the implementation ministry, the two branches of industry and trade. What are the concrete steps you plan to take over the next year to meet that objective?

Hon. F. S. Miller: Let my deputy answer.

Mr. MacDonell: The minister has identified five major thrusts. The first is trade development.

Hon. F. S. Miller: I had my speech in my pocket.

Mr. MacDonell: I see here a clear and direct relationship between the growth of export sales and jobs. I have somewhere with me the chart that shows the direct relationship between export trade and jobs, which we have been tracking for three years.

Our exports are up 40 per cent for the first nine months, compared to the same period last year, and that is one of the major drives of the ministry.

That has led the minister to say he is planning an office in Singapore and looking now at the development of the Chinese market, with the possibility of a trade office in Nanjing. At the moment, he has invited to Ontario a delegation of Chinese from one of the principal provinces of China, in fact the centre of their manufacturing, which is Jiangsu province, of which Nanjing is the capital city. It has a population of 60 million and is the manufacturing and technology centre of China.

We are in the process of developing a twinning arrangement with them. If that is successful, we think we can quadruple our sales to China. Our exports last year totalled \$90 million.

Mr. Foulds: Ontario's?

Mr. MacDonell: Ontario only. So the development of our business in the Pacific Rim, and specifically in China is one of the major thrusts of the ministry, because we create a job in the province for approximately every \$50,000 of export sales. Whatever we do, that has to be a main drive.

Mr. Foulds: I would like to get back to the question of China, but maybe you could outline the steps further for us.

Mr. MacDonell: All right. The second point is investment.

Hon. F. S. Miller: I am going to interject for a moment. The press, and sometimes you fellows, are always after us to talk about how many jobs; it always comes down to how many. You will remember in my opening comments I said you could divide the number of dollars of export sales by a number which would give you a rough approximation of the number of jobs.

This year, if our exports are up 40 per cent—remember, we started with a \$40-billion base so the increase is somewhere in the range of \$15 billion to \$16 billion—and you divide that by 50,000, that is 40 jobs per \$1 million sales or 1,000 jobs per \$1 billion sales; 4,000 times 16 would be 64,000 jobs, if I did my arithmetic

right; it is in that range. You can do the arithmetic and come up with it.

Mr. Foulds: You could probably do it better than I.

Hon. F. S. Miller: That could be challenged, for example, if some industries had more dollar content per job and some less. However, it gives you a ball-park figure to go on.

8:20 p.m.

Mr. Foulds: Maybe, before the deputy goes on, just for a minute we could deal specifically with China, because I have a friend who lives there. One of the things that worries me a bit is that we may be inflating the possibility of the market—

Hon. F. S. Miller: With China?

Mr. Foulds: Yes. I would like to get a few more details about the twinning arrangement. Maybe you would like to do that later; that is fine with me.

Mr. MacDonell: Your caution is well taken because we have a very low, almost nonexistent, share of the Chinese import market. That is one of the problems we want to address.

Hon. F. S. Miller: You may have noticed there was a trade mission leaving for China on November 22—this week, right now—with, I think, representatives of seven companies. It went to Jiangsu province specifically to discuss the technology transfer—in Nanjing, if I am not wrong—

Mr. MacDonell: Yes, they are in Nanjing today.

Hon. F. S. Miller: Working upon the base that was created during my visit in June, it was established by them that the best way to gain access for our producers was to have some vehicle like a technology exchange or, particularly, some form of Canadian technology centre in China. There, they could see our technology and talk about it with people we sent there and, in turn, they could come to Canada to see our manufacturing facilities and, potentially, do business.

We are discovering you do not make sales in China at the rate of speed you experience in almost any other country in the world. Therein lies the reason we think government has a bigger role in exploring the Chinese market than it does in the Japanese market.

Even a company the size of General Motors or Northern Telecom loses patience with the time frame and the costs involved in visiting China and going back and forth before the decision-

making process results in something they can show their sales manager to justify the trips. Therefore, there is the need for government presence, where we can look at longer time horizons to maintain the Canadian and Ontario name and, in effect, do the spade work which should result in final sales.

Mr. Foulds: As I recall the points from one of the letters my friend wrote me, you have to remember that China, if I am not mistaken, has no foreign debt and it is very loath to incur any, for a whole host of reasons.

Mr. MacDonell: And it has a \$2-billion credit in Canada at the moment.

As a matter of fact, you are absolutely right. The Chinese are lending funds around the world; they are lenders, not borrowers. They have a very conservative approach, a very sound balance sheet.

Mr. Foulds: They are also, I understand, manufacturing goods that we would not expect them to manufacture, like colour televisions and automobiles.

Mr. MacDonell: Yes, that is right. We have a first-class Chinese company in Toronto now, the Great Wall Co., a first-class manufacturer of manufacturing equipment, lathes and—

Mr. Kerrio: Machine tools; the very best.

Mr. MacDonell: The very best. They had some niches that are first class.

Mr. Foulds: They would want to develop their own markets, obviously, with—

Mr. MacDonell: Yes, and they would like to get into joint ventures with us and develop economic co-operation.

While we are driving into the Chinese market, let me give you a couple of statistics at the end of the first nine months. We have increased our share of the import market of the United States, with the second-highest-valued currency in the world, against 150 competitors, by about 0.3 per cent, which is \$1 billion in additional export sales.

Despite the fact that everybody has told us you cannot sell in Japan because there is a conspiracy to keep out the foreigners and so on, Ontario has doubled its exports to Japan in the first nine months and picked up about 0.2 per cent of its total import market.

Mr. O'Neil: What are those figures?

Hon. F. S. Miller: In six months, \$250 million.

Mr. MacDonell: Yes, just slightly ahead of that; about \$270 million against last year. As a

matter of fact, we have so much information on this that we cannot find it. We had it here. We have a 98 per cent increase.

If you look at our performance in western Europe—of all the markets in the world, western Europe is the largest single import market—you see we are gaining position there as well. As a matter of fact, with its highly managed approach to trade, Ontario is gaining market share in almost every country in the world except some in South America and Africa—and even in South America that is limited to only one or two countries. So we are gaining market share around the world.

Ontario is the only province with that kind of managed approach. By “managed” I mean with goals, plans, commitments and a businesslike approach with the support of the private sector.

Mr. Foulds: What is your goal in the Chinese market?

Mr. MacDonell: We would like to quadruple our sales of \$90 million in the next three years to coincide with our \$60-billion target by 1987.

Hon. F. S. Miller: Again I am getting involved in it when I should not, but—

Mr. Foulds: It is your ministry, you should get involved all the time.

Mr. Kerrio: He ought to spend some time here.

Mr. Foulds: He set the deal up.

Hon. F. S. Miller: I will get you, Kerrio.

I do not know how big the market is. There are one billion people but you cannot compare it by saying it is 44 times as big as ours. They are not interested in buying consumer goods to any degree. They are interested in buying equipment and technology.

They are interested in joint ventures; and China, of course, is permitting joint ventures. We are certainly exploring joint ventures with China now, where Canadian technology could be used.

The Urban Transportation Development Corp. is a good example. Their representatives were with me on the trip. They have been talking for some time about building the Hong Kong to—where? The new city?

Mr. MacDonell: To the New Territories, the town at the top of the—

Hon. F. S. Miller: Just as you enter the border, anyway.

Mr. MacDonell: It is about a 25-mile link into the New Territories; the name of that little town escapes me.

Hon. F. S. Miller: It is a model city on the edge of China.

China's attitude is, "We will buy only that which we must buy; we want to make the rest." On the other hand they say: "We need your technology, we need a lot of your components. We would like to do some assembly here, we would like to do some manufacturing here."

We think we could gain access to markets outside China by utilizing our technology in China. We would like to build that railway and we think we could sell to other markets.

When I was in China we worked at great lengths with them on several projects. Our work included a double-decker car system for Guangdong, Shanghai or something like that. It is one of the lines they are trying to improve. They really want to see a local industry doing it.

Where we can add a number of jobs through components and technology we are anxious to do so. We may be able to supply the linear induction motors, we may be able to supply a number of the more technologically advanced components and let them stick to componentry that is not so advanced. That is one example, and you would find quite a few more if you started looking at it.

A target of \$360 million is not a big target in a country like that, but one sale which we were investigating this week had the potential for half of that. They needed, for one mine, \$150-million worth of 150-ton trucks—\$150-million worth of trucks.

Mr. Kerrio: They could be made in Niagara Falls.

Hon. F. S. Miller: Which ones are made in Niagara Falls?

Mr. Kerrio: Unit Rig and Equipment Co. Ltd.

Hon. F. S. Miller: There are three companies in Canada. Bendix Heavy Vehicle Systems Ltd. is one of them. Which is the one that won; it was Westinghouse Canada Ltd., was it not? Is Wabco Standard Inc. in Niagara Falls?

Mr. Kerrio: Unit Rig and Equipment Co. Ltd. is in Niagara Falls.

Hon. F. S. Miller: We had the other one in London, Ontario. We were not worried about which company won it, we just wanted to make sure it was one of our companies.

In this case we are taking a little different approach. We have been discussing for some months through Ontario International Corp. the possibility of Canadian engineers doing certain engineering for them. Not necessarily Ontario engineers as much as Canadian engineers.

Ontario would be one of the beneficiaries of that by supplying some of the more sophisticated mining components, which we are pretty good at.

8:30 p.m.

Mr. Foulds: Maybe we could get back to the question then.

Mr. MacDonell: The second, but not by any means second in importance, is the development of small business in Ontario. We are looking at a proposal called Enterprise Ontario to produce an additional 90,000 jobs a year by 1990. It will accelerate the development rate and reduce the failure rate of small businesses.

Last year in Ontario 45,000 new businesses were created, each with an average of about three employees and \$12,000 capital. With a great proportion of the new jobs being created by firms with fewer than 20 employees, these small firms are really the engines that are creating employment in the province, outside of exports.

We are going to go to the minister—in fact, we have already made a presentation to him on a whole different approach to creating the most positive and beneficial climate for small business in the world.

That is a big boast, but we have been looking at all of the other people in the world. We have been attending international conventions. We have been assessing what is going on in the United States and we think we have the concepts, at least, to make Ontario one of the best places in the world to start a new business.

The theme of the whole thing describes it: clearing a way for small business. That is looking at all of the paper burden, the legislation, the nonwage costs that are loaded on to small business. That will be close to your heart especially, because of its effect on our northern areas. So small business is the second major way of creating jobs.

If we can accelerate what is going on now, through education, by providing a reduction in the paper burden and the legislation that some 26 ministries, I should not use the word "inflict" but place on small businesses, by stopping and assessing it and by co-ordinating it—at our last meeting the minister said, "Yes, we are going to deal with that"—the whole field of small business will be another great way of creating jobs in the province.

The third one is incoming investment. We are endeavouring to target investment in two things: technology we do not have and the potential for exports. A good example would be David Girvin and his team, who, with the help of the

federal government, went out and brought the Messerschmitt-Bölkow-Blohm GmbH helicopter company into the province.

That is a technology we did not have but which we badly needed to add to our aerospace industry. The importance of that investment is that they will produce only one model for the world and will export about 70 per cent of that product. When we can get that kind of technology and export performance, we really lever up our value added.

Fourth, we are taking a very careful look at the whole question of import replacement. We import and purchase abroad \$5-billion or \$6-billion worth of manufactured goods from other countries. The government and its agencies purchase about \$1.1 billion. If we can just improve the percentage of the \$1.1 billion that Ontario firms get of that business by helping them set up to manufacture where there is no Ontario manufacturer at all, there will be substantial improvements in tax revenue to the Treasurer and in employment.

Next and fifth is innovation and technology.

Mr. O'Neil: Going back to that other point, have you spotlighted those areas or put out a list of what types of businesses some of our Ontario manufacturers could be in at present?

Mr. Foulds: You can read our 1981 election material.

Mr. MacDonald: Yes, we have.

Mr. O'Neil: Has that been publicized? Is it public knowledge or have you put it out?

Mr. MacDonald: It is a pretty complicated process but, yes, there is a listing of products we do not make but should.

Mr. Foulds: Is that list public?

Mr. MacDonald: Yes. Some of it is published each month in one of our publications. I think we do it three at a time, showing Ontario manufacturers what we are importing so they can gear up to make those products.

As the great manufacturing centre in Canada, Ontario has been very loath to do very much about preferences and has been very careful not to set up interprovincial trade barriers.

Mr. Foulds: Except when it comes to the LCBO.

Mr. MacDonald: We think if we go about this carefully we can get more products manufactured in the province than we have now without setting up a lot of non—

Mr. Foulds: Nontariff tariff barriers.

Mr. MacDonald: That is right. So it applies to the whole field of import replacement or Ontario market development. The last factor is innovation and technology.

Mr. Foulds: Are you looking seriously at mining machinery, for example?

Mr. MacDonald: Yes.

Mr. Foulds: It has been something I have felt we could do for a long time.

Mr. MacDonald: I think it is tragic that we are importing mining equipment. There are so many good manufacturers of mining equipment now, we ought to try to complete the cycle and increase the capability there.

Last, there is the field of innovation and technology. There we have the six centres, the Ontario Research Foundation, which is now geared, and the Innovation Development for Employment Advancement Corp. These crown corporations are aimed at helping manufacturing companies help themselves improve, primarily their manufacturing technology, or their access to venture capital, or preventive capital, they otherwise would not have.

Those are the five thrusts of the ministry. They are all managed with a view to looking for specific targets, specific ways of measuring performance. We hope to come back next year and report on the performance of these five programs, just as we are prepared to report on trade.

Here is that chart showing trade. You can see the rise in employment—the solid line—and our export performance by month. We are looking for the things that will lead, immediately and as directly as possible, to increasing employment. We are micro in the sense that the minister mentioned. The Treasurer is much more macro. We are concerned about the individual firm, how it grows and how it employs people.

Mr. O'Neil: Where do you get your statistics on that employment increase? To tie that down, do you just take a figure in Ontario or do you actually go over the industries and relate it to the exports?

Mr. MacDonald: We have access to both the actual monthly employment in the province and what comes out on our trade performance each month, so we can match them.

Mr. O'Neil: Are you relating just to trade in that increase in employment, or is the economy spurred on and are more things going on? There is a little more to it than just what is on a graph.

8:40 p.m.

Mr. MacDonell: Oh yes, absolutely; however, we have just isolated the curves, for our own purposes, to show what happens when export sales move up; to ascertain whether employment really follows it or not according to our formula.

Mr. O'Neil: That is a little self-serving, is it not; because if the economy is up employment is going to go up. You can relate one curve to the other without—

Mr. MacDonell: If the curve went down, we would have some difficulties with our theory.

Hon. F. S. Miller: I think correlation analysis would show the correlation between the improvement in jobs and the improvement in export sales is quite good. It would be positive enough to say the one is directly caused by the other. I did my arithmetic on that and, for your information, \$16 billion would create 320,000 jobs.

At \$50,000 a job, assuming that figure is valid, \$16 billion is 320,000 people. If I recall my figures correctly, there are half a million more people at work right now than there were at the depths of the recession. You could say that almost 300,000 of those were related to improvements in exports, which is a pretty big figure.

Mr. MacDonell: Those are the five major thrusts. They are all aimed at two things: to create employment in the most practical way possible and, if possible, to generate additional revenue to the Treasury from trade, investment and so on.

Mr. O'Neil: One thing that concerns a few people is the value of the Canadian dollar compared to other currencies, that we remain healthy as long as there is that difference in the value.

Hon. F. S. Miller: But you are making a fatal error there. The Canadian dollar currently is high relative to everything but the American dollar; so one should not assume we have any benefit in foreign trade now because of a low dollar for the net Canadian dollar.

Mr. Foulds: Except in the United States.

Hon. F. S. Miller: Except in the United States.

Mr. O'Neil: About what percentage of our total trade is with the United States?

Hon. F. S. Miller: It is 88 per cent.

Mr. O'Neil: We all hope nothing too much happens there, but what happens—

Mr. MacDonell: If we took automotive out of that, we would come down to 73 per cent. I think that question highlights the importance of driving

into the European market to the east and driving into the Pacific Rim to the west, so that we are not too dependent upon the US Congress coming up with some more crazy antics.

Hon. F. S. Miller: I do not think we can overstress, though, the impact on jobs in Canada of the effect of the value of the Canadian dollar versus the American dollar. I had cause today to look at one of our major automobile company's investments in Canada and investments in the US in the last few years as a percentage of its total investment in North America.

Canadian sales were 8.8 per cent of North American sales for the company, but Canadian investments were away above that. They were in the range of 14 per cent over the last while. That was predicated upon the fact, as the United Auto Workers have said a number of times, that the Canadian rates are paid in US dollars, and this gives a considerable current advantage to those companies to manufacture on this side of the border.

With great respect to all our desire to equalize those things, the only reason we are getting that 50 per cent more than our share of investment is that there are manufacturing advantages for those companies operating freely under the auto pact on both sides of the border. They stem directly from the relative values of our two currencies. They are very much dependent upon it.

In the rest of the world we would be more dependent upon a drop in the US dollar vis-à-vis the world currencies. Some of us are predicting that will happen as interest rates decline. As interest rates decline, the rush to put foreign money into the US should decline. That in turn should make Canada and the US become more competitive in the balance of the world.

We can have the best of both worlds, if we retain the 78-cent dollar vis-à-vis the American dollar and it in turn drops relative to the yen and the basket of European community currencies, I would think you would see quite a startling increase in overall North American exports again, and also a dramatic decrease of imports of manufactured products from those nations.

We have a very good reason to hope that a decline in interest rates would help us in that. The current decline, which is relatively orderly at this point, should continue on, in my opinion, for some time.

Mr. O'Neil: Of course, there are conflicting views on that too. Not everyone feels that interest rates will continue to decline.

Hon. F. S. Miller: I have only one basis for that view. Somewhere around 1979 to 1980 the

confidence of the world's lenders declined dramatically because interest rates climbed quickly. When that happened, they would not buy long-term bonds any more. That caused a great deal of trouble.

We had two years of total instability. Now we are seeing a period of relative stability, in which the lenders are starting to go longer and get more confidence in the real interest earned on money loaned. Currently, at 11.5 per cent prime and four per cent inflation, you are earning 7.5 per cent real on your money. Historically, four per cent real would have been high.

My arithmetic is on the basis that confidence in stability of interest rates, and therefore the value of long-term bonds, could lead to our going back to historic, real interest rate levels, which could come down to eight per cent without stretching the imagination too far.

Mr. O'Neil: Fine, but it depends on how long that will last. There were a lot of people who invested in long-term bonds and investments that were holding rates of seven, eight and nine per cent in 1982, when the rates went up to 20-something. There can be a variation on that.

Hon. F. S. Miller: Again, stability is what they are seeking. On average, money in long-term bonds is worth between three and five per cent, depending on the risk. The only reason it pays more than that, and it currently does, is that people do not trust the current interest rates.

If we go through another couple of years at the current stability I think you are going to see them come down. Particularly if inflation stays at its present levels of three to five per cent, I think there is a very real possibility of seven to nine per cent money existing.

If that happens, I will predict a capital investment boom, which is traditionally the last part of the economic recovery cycle. It has not yet occurred in the present recovery. I am satisfied it will, if interest rates stabilize and drop slightly. You will then see job creation on a firmer basis.

Mr. Foulds: That is right. There are two more steps: capital investment and then jobs.

Mr. Kerrio: I would like to ask a question. You or the deputy minister were responding to a question from Mr. Foulds and making comments about addressing some help to small business. I wanted to bring into focus a very serious problem, in my area and I think in many parts of Ontario, where small business is hurting. I wonder how you might respond to this specific problem, and I am talking about market value assessment.

We have situations in which small business is confronted with this kind of circumstance. Given the fact that someone might be very optimistic about starting a business and then enlarging on it, he would have to have some kind of land holdings in order to expand his plant as time goes by.

8:50 p.m.

Two things have happened; and I could name a specific operation in Niagara Falls and the impact on this business. It is a small block manufacturer who requires a great deal of storage space. Through no fault of the owner, the federal government decided we would go metric. Now he stocks metric and standard blocks. This has not added any kind of profit to his company, but it required a lot more space for those new products, and the room for expansion is the land he has around him so people would not close in on him. Market value assessment comes in and doubles his taxes.

You are talking about paperwork for small business. I am only citing one instance; there are many like this.

Mr. MacDonell: Yes, I agree.

Mr. Kerrio: I want to throw a twofold kind of query at you regarding small business. That is one very serious problem. The other serious problem is that business tax does not relate to the business a company does. Business tax—talk about regressive taxes—relates to the holdings of an individual.

Some person could have a million-dollar organization operating out of a tent, make a 50 per cent profit, \$500,000, and pay his business tax on the value of that tent. On the other hand, in the case of a person who requires a fair amount of property, such as construction people and block people—and the chairman is going to chuckle about this because I think his business required a fair amount of land to store equipment—the value of the land the plant is on does not help the small business in increasing its profits.

When are we going to talk about addressing ourselves to a reasonable business tax, based on the person's business, rather than his real property; and what are we going to do for people who may need a fair amount of land to operate from but are now being taxed, in some cases, up to 100 per cent.

Hon. F. S. Miller: I think you have to realize that market value assessment by itself does not double property tax.

Mr. Kerrio: It did in this case.

Hon. F. S. Miller: All right, a specific case. Market value assessment can double my tax relative to my neighbour only one way, and that is if I was improperly assessed relative to my neighbour before reassessment.

Mr. Kerrio: No, no.

Hon. F. S. Miller: Sure, that is the only way it can do it.

Mr. Kerrio: If a corporation put in section 63, it would then go to the new evaluation, while the person across the street on the old assessment rolls—

Hon. F. S. Miller: But you do not have that happening in a community. Either you are on new assessment or you are not.

I live in Muskoka, which at the request of the regional municipality went to market value assessment in 1974. All the business taxes in Muskoka dropped immediately. We did not do it the way Hamilton or most other cities did. We did not do section 86s. We did an across-the-board market value assessment allowing property taxes to vary among the classes of real estate property as defined in the act.

A section 86, as it used to be called, reassessed everyone within a category. If that category before reassessment paid 10 per cent of the property tax, it also paid 10 per cent afterwards. It paid no bigger share of the total municipal burden.

All that can happen is that the assessments of properties are made equal, relative to each other within the group. The big problem we have had was that company A was assessed 25 years ago and company B was assessed today, whether it was current value or whatever formula, and one person was paying less than his share or one person was paying more than his share.

Mr. Kerrio: No, that is not what is happening here. I am happy that happened in your area. What I am talking about is not only one instance, but in most cases in my industrial area—

Hon. F. S. Miller: What happened to the money then? The municipality only raises the money it needs to run its municipality. None of that comes to the province. You know that.

Mr. Kerrio: I will tell you one thing that happened. We had a great big plant within that group close down—they tore their plant down—and then the whole burden shifted to all the small businesses in the area.

Hon. F. S. Miller: But that has nothing to do with it.

Mr. Kerrio: But the man next door, the fellow in Thorold, did not have this new assessment—

Hon. F. S. Miller: Why did he not have it?

Mr. Kerrio: —because the municipality did not instigate it.

Hon. F. S. Miller: Ah, now.

Mr. Kerrio: There are two plants, one across the street from the other.

Hon. F. S. Miller: Now you have changed the rules.

Mr. Kerrio: No, you changed the rules.

Hon. F. S. Miller: No, you changed municipalities.

Mr. Kerrio: Darcy McKeough changed the rules when he made this possible.

Hon. F. S. Miller: All I am saying is—

Mr. Kerrio: That is the way it is done across the province.

Hon. F. S. Miller: Sure; but we were going to do it province-wide until the municipalities stopped us from doing it.

Mr. Kerrio: What do you do if you are a small businessman, your taxes double and the fellow across the street does not have his doubled.

Hon. F. S. Miller: Doubling assessment does not double taxes.

Mr. Kerrio: I am telling you that for these people their taxes doubled, 100 per cent; and not just one person, more than one.

Hon. F. S. Miller: Okay, that is a special case. Give me examples of those whose taxes went down by 50 per cent.

Mr. Kerrio: In that category, none.

Mr. Foulds: Did the municipality double its—

Mr. Kerrio: What happened was there was a big industrial plant within that group.

Hon. F. S. Miller: I spent months and months on this and I can tell you roughly the arithmetic for it. If a municipality wants to raise so many dollars—

Mr. Kerrio: I know that.

Hon. F. S. Miller: —it divides that by its total assessment, it comes up with a mill rate, it multiplies that mill rate by your assessment and it gives you its taxes.

Mr. Kerrio: Let me go at this a different way. If the plant I am talking about is paying double the taxes of the plant it is in competition with, there is something radically wrong.

Hon. F. S. Miller: Maybe the other municipality only taxes half as much.

Mr. Kerrio: No. The other municipality did not go the route of market value assessment.

Hon. F. S. Miller: Are you not in favour of local decision-making?

Mr. Kerrio: No, I am in favour of either putting it across the province so the competition is reasonable—

Hon. F. S. Miller: Now you are telling me there should be centralized government insisting upon a bureaucratic approach and forcing local municipalities to accept it.

Mr. Kerrio: Really, I do not give a damn about the details you are talking about. I have a dozen small industries in my town whose taxes have doubled and you are talking about helping small business. I am asking you, what do these people do?

Hon. F. S. Miller: Municipalities only raise the money to run their local affairs and that is all.

Mr. Kerrio: Answer my other question about the fairness of business tax on property assessment.

Hon. F. S. Miller: Right now, on average, in Ontario—

Mr. Chairman: I think we have wandered off topic.

Hon. F. S. Miller: Yes, we have, but it is taking time.

Mr. Kerrio: I beg your pardon?

Hon. F. S. Miller: He thinks we are off the topic.

Mr. Chairman: I think we are wandering a little bit beyond the scope of the administration.

Mr. Kerrio: You generally allow us a little latitude.

Hon. F. S. Miller: Can I give you a book to read? Not a book but a paper of this government. It is budget paper E from the 1976 budget, in the appendix to the budget. Please read it.

Mr. Kerrio: Is that going to be helpful?

Hon. F. S. Miller: It will be very helpful because it will explain exactly what you are talking about.

Mr. Kerrio: I do not think I am going to take anything back to help the people in my constituency.

Hon. F. S. Miller: In theory, that is going to solve all the problems you are talking about. The truth is, if company A, through any accident of time or assessment, is undertaxed, then reassessment, whether it is on current value or old value, automatically raises the taxes. By axiom, for everyone who pays a dollar more tax, somebody pays a dollar less tax within that group.

I think my colleagues in the opposition would agree, would you not?

Mr. Kerrio: We have a very serious problem there. You are talking about helping small business but you are only paying me lip service.

Hon. F. S. Miller: No. Property taxes raise moneys to run municipalities. We put in something like half of the money for municipalities, on average, from provincial grants for education to local municipal grants. Through the property tax base as a measure of wealth, they pay a contribution towards running that municipality. Otherwise, why do they want factories? Every municipality says it wants a mix of commercial and industrial assessment to residential assessment that allows the residential taxpayer to have a fair share.

Please read that paper. It is a very good paper. It is easy to understand. It was the assumption under which Mr. McKeough announced property tax reform. It was applied in Muskoka. It did the opposite to what you told me. When it was applied in its pure way there were shifts: underassessed properties went up, overassessed properties went down and there was a fair appraisal of current real estate values; which is, after all, the only basis for taxing at municipal levels.

Mr. Kerrio: You have not answered my question about companies that require a fair amount of land to function on.

Hon. F. S. Miller: That is a function of wealth.

Mr. Kerrio: Not really.

Hon. F. S. Miller: Then you do not believe in property tax at all.

Mr. Kerrio: Oh, yes.

Hon. F. S. Miller: Property tax is based upon land and value.

Mr. Kerrio: I will ask you a final question. These people have gone to the minister and everyone else for help. Their taxes have doubled, whether you want to believe it or not.

Hon. F. S. Miller: I believe you.

Mr. Kerrio: What did you do for the small businesses that were marginal in their profits and in their ability to stay in business and whose taxes doubled?

Hon. F. S. Miller: What I did was take the corporate tax off, and that was very effective.

9 p.m.

Mr. Kerrio: That is a start but you have to show profit to get the advantage of that. These

people were borderline; they were not making profit.

Hon. F. S. Miller: That put \$250 million back in. I know we are digressing but it is a point that affects costs.

Mr. Kerrio: I should give you a report from that group and see if you respond to it.

Hon. F. S. Miller: What happened was that some municipalities did it and some did not; and therein lay the problem.

Mr. Kerrio: That is right.

Mr. Chairman: Okay, next question.

Mr. Foulds: I want to shift gears a bit, but it is still a policy question as far as I am concerned. That is, the whole idea and the controversy surrounding Innovation Development for Employment Advancement Corp. and the dismissal of—

Hon. F. S. Miller: Would you like the chairman of IDEA?

Mr. Foulds: Sure.

Hon. F. S. Miller: Mr. Macdonald, would you like to come forward?

Mr. Foulds: Really, we have not had a satisfactory explanation for the reason—is it Dr. Brian St. John?—

Hon. F. S. Miller: Yes.

Mr. Foulds: —left the corporation. According to reports in the paper you said it was irreconcilable differences.

Hon. F. S. Miller: At the time that Dr. St. John parted company with IDEA Corp. I was asked some questions and I said that as a minister and as the person entrusted with the responsibility for that crown corporation, I took a keen interest in it, and I am sure you would agree that is what a politician should do.

Mr. O'Neil: Mr. Chairman, are we going by votes?

Mr. Chairman: I do not think we are at the present time. We are really off administration.

Mr. Foulds: It was an administrative decision to terminate the contract. Let me be very frank. One of the reasons I wanted to raise it here is because as the fifth vote—

Hon. F. S. Miller: No, it was not my decision to terminate the contract; that is not an accurate statement.

Mr. Foulds: There was an administrative decision that—

Hon. F. S. Miller: I am quite willing to discuss it now, if you want.

Mr. Chairman: We should be trying to stick to the administrative program and the first vote. The IDEA Corp. falls under another vote.

Mr. Foulds: Could I have agreement to discuss that point for half an hour at the end of the estimates, while the gentlemen are still here?

Mr. Chairman: Mr. O'Neil, unless you are prepared to discuss this one item—

Mr. O'Neil: Either we open this up to general discussion on any area at all or we go by the votes.

Mr. Chairman: I would like to stick to the votes, frankly, but it is up to the committee.

Mr. Foulds: Fine. Could we have agreement that we go to vote 2405, under which IDEA Corp. falls, at least half an hour before the termination of the estimates?

Mr. O'Neil: We have some questions on that too.

Mr. Foulds: Could we have agreement for 45 minutes? The Liberals have some questions too, so we would have to share the time.

Mr. Chairman: That falls under innovation and technology development, which is the last vote, so we will reserve time at the end.

Mr. Foulds: I have two general questions for the minister on a matter which may at one time have been his direct responsibility. Can you shed any light on why the cabinet committee on one-industry towns never met? You were the chairman of the committee.

Hon. F. S. Miller: I am not forgetting the committee; I am just trying to see if your statement is accurate. I would rather not say it is not accurate without verifying it.

I know we met. I do not know whether it was considered to be a formal meeting of the committee or not. Certainly the ministers involved in that problem, the Minister of Northern Affairs, the Minister of Natural Resources, the Treasurer of Ontario and Minister of Economics etc., did get together and discuss the problems a number of times. I moved out of the portfolio—I suspect it was Natural Resources—about the time Atikokan et al was at the height of its interest.

Mr. Foulds: Yes, Mr. Auld became minister immediately after you.

Hon. F. S. Miller: If he did not carry on the meetings, and I cannot swear that he did because I do not believe I was involved in it after that—

Mr. Foulds: Does your ministry see that its role is to help diversify one-industry towns?

Hon. F. S. Miller: Sure it does.

Mr. Foulds: Most of those one-industry towns are in the north, although some are southern Ontario towns. Would you consider your ministry to be the lead ministry in that regard?

Hon. F. S. Miller: Not always, because when I was active in that I was Minister of Natural Resources and it seemed the industries in those one-industry towns were mainly resource industries.

Mr. Foulds: But if the aim is to diversify, to try to mature the economy of those one-industry towns so they are not as vulnerable, surely your ministry has a key role, if not the key role, to play.

Hon. F. S. Miller: Yes, and it is carried out through a number of instruments. There is the northern Ontario regional economic development program which tries to help that. A number of the mining programs that were strengthened through small business development corporations and their offshoots were aimed at that. A number of BILD initiatives were aimed at that. The Northern Ontario Development Corp. has a role in that. But all of them are predicated by a business being there.

If you go to Atikokan, which is a good example, I think the Minister of Northern Affairs (Mr. Bernier) could document far better than I the number of jobs which were created and the attempts at diversification that were made. I am told—

Mr. Foulds: There were also 2,000 people who left town.

Hon. F. S. Miller: I understand that. The fact remains some jobs were created.

Mr. Foulds: Okay, no question.

Hon. F. S. Miller: You know that if waving a wand diversified single-industry towns in the north then we would not have one town without alternative employment. It is not as easy as agreeing it should be done.

I have in my hand a list of applications from young venture capitalists that have arrived since November 1, and a lot of them are from small-town Ontario. I was just searching through them to see how many were from northern towns. They are alphabetical so it is not easy to be sure. But again, here are people asking for small loans of \$5,000 each to start small businesses around Ontario. That is an attempt to help diversify.

Mr. Foulds: Okay, let me just make a couple of points. To the best of my knowledge, the cabinet committee on one-industry towns was

established as a result of the major layoffs in Sudbury in 1976.

Hon. F. S. Miller: In 1977.

Mr. Foulds: In 1977, all right. Basically nothing happened.

Hon. F. S. Miller: I do not think that is true.

Mr. Foulds: Basically, when Atikokan closed down, which was the next major layoff, it came as a shock. There was nothing in place ahead of time and there were no attempts between 1977 and 1979-80, when those closures took place, to put into place alternative industries. What happened is when the announcement came everybody scrambled like heck—and with some good results, no question.

Now we are faced, possibly, with the closure of the mine at Ear Falls. In the meantime, there have been no alternative industries put in there to cushion the blow of that closure. What I want to know is what initiatives your ministry feels it is responsible for in diversifying those towns before we reach the crisis stage.

Hon. F. S. Miller: Again, you are on the safest side of all with this because you can be a critic without having to find the alternatives. Help me find some business that will go to Ear Falls and be able to make money by going there.

Pickle Lake, Red Lake and Ear Falls are classic examples of towns existing because the resource is there. Now, why is Griffith mine in trouble today? For the same reason any primary or secondary manufacturer would be in trouble in that community: the transportation costs into and out of that community exceed those of alternative locations where mines actively exist.

Mr. Foulds: Only marginally.

Hon. F. S. Miller: By \$16 a ton.

Mr. Foulds: From?

Hon. F. S. Miller: There is \$16-a-ton difference between it and Wabash, which is the alternative Canadian source; \$16 a ton, f.o.b. Hamilton.

Mr. Foulds: You have, in spite of your free enterprise bent, talked a lot about crown corporations and intervention and taking a government lead in export development with China. I applaud that. I have no quarrel with that. Surely to goodness the government has a role in integrating our steel manufacturing with our resource production.

9:10 p.m.

Hon. F. S. Miller: I spent two hours this afternoon discussing that. The fact remains our steel producers are facing a world where the

demand for steel, right now, is 55 per cent of installed capacity. You have steel mills around the world closing. You have iron mines around the world closing.

Mr. Foulds: You have a deficit in Ontario.

Hon. F. S. Miller: Fifty per cent of Ontario ore comes in from the United States and 50 per cent is supplied from Canadian sources.

Mr. Foulds: If we cannot even do import replacement with our resource industries—

Hon. F. S. Miller: The truth is you can probably now bring the ore in from Brazil to any Canadian factory cheaper than we can deliver it from any Ontario location. You know the arithmetic.

My goodness, the average hourly rate for an automobile manufacturer in Taiwan is \$1.73 an hour—all costs in—while the average rate in the United States of America is \$20.75, or something. It is the same when it comes to iron ore. You know there is a lot of labour involved in that. It is not labour-intensive, it is capital-intensive, but the cost of labour is factored in.

We have depended upon exceptionally efficient machines to allow us to have the difference in labour cost we have been able to sustain. But it has caught up with us. As long as world production was at full strength and you pumped out the steel, all the mines were kept busy. The moment the demand dropped, the inefficient mines started being knocked off, one—

Mr. Foulds: Hold on. You are giving me three arguments at the same time. First of all, your first statement was that it was not labour costs but transportation costs, because we are able to factor—

Hon. F. S. Miller: Okay, but what causes transportation costs? What is a factor in determining transportation costs?

Mr. Foulds: Are you blaming labour costs as being the—

Hon. F. S. Miller: If you are running a railroad, what do you pay for?

Mr. Foulds: Just hold on. The first thing you said about the Ear Falls situation was—

Hon. F. S. Miller: Labour. There is a 375-mile haul, is that right?

Mr. Foulds: Which is it? Is it labour or transportation?

Hon. F. S. Miller: You cannot separate them. Your transportation costs are high if your labour costs are high. Right? They are high if you are on ground as opposed to on water. Right?

Mr. Foulds: I would have no argument on that, but I am really having difficulty following your mixing of labour costs and transportation costs.

Hon. F. S. Miller: I pay a locomotive engineer \$20 an hour in Canada and \$1.75 an hour in Brazil.

Mr. Foulds: Are you saying we should import the labour conditions of Brazil or Taiwan to Ontario?

Hon. F. S. Miller: You have to do that with everything else you want to choose in making this comparison, do you not?

Mr. Foulds: No.

Hon. F. S. Miller: What cars are they driving these days?

Mr. Foulds: I am driving a 1980 Ford Fairmont. What are you driving?

Hon. F. S. Miller: I had to borrow one. What electronics are you buying these days?

Mr. Foulds: I have not bought any in a long time.

Hon. F. S. Miller: Would your television be Japanese? Taiwanese?

Mr. Foulds: Let us get back to the question of your ministry and its responsibility, if any, in the Ear Falls situation.

Hon. F. S. Miller: I can only help a company that has an economic reason to be there. I have a big problem these days keeping jobs in the auto industry in downtown Windsor where all the transportation costs are in line. I hope you understand, then, that if it is tough to encourage an investment into one of our most efficient areas, it is triply tough to encourage it in less efficient areas. Is that not right?

Mr. Foulds: Then you are saying that a region, such as northwestern Ontario, is going to permanently be a hinterland region.

Hon. F. S. Miller: No. Indeed, I think you have to realize, though, there are very few industries in Bracebridge, where I live, or Ear Falls, that can survive on the economics of that location. We have to determine which ones can and hopefully encourage them to go there.

If you go back to 1976 and 1977, the government of Ontario specifically said that if the timber limit to that area were developed, the logical location for a new mill was to be Ear Falls. Do you recall that?

Mr. Foulds: Yes, there was to be in—

Hon. F. S. Miller: The deal with Reid Inc. was aimed at the Ear Falls area because, in our

impression, using crown assets we should get economic development where we needed it and that was where we needed it. The trouble was the paper market fell apart.

Mr. Foulds: But not only that; it was not realistic in the sense that if you had had a mill at Ear Falls the Dryden mill would have closed. You know that as well as I do.

Hon. F. S. Miller: It is not easy.

Mr. Foulds: Since 1976-77, has your ministry looked at alternative industries for single-industry towns, such as Ear Falls? Are you looking at them ahead of time?

Hon. F. S. Miller: I challenge you to say we did not predict at Atikokan, which is your first example, that it was going to close in the year it did. It closed 35 years years after it started. Is that true?

Mr. Foulds: Right up to the end, in 1974, the annual statement said the deposits were rich enough to keep the mine open for another five years.

Hon. F. S. Miller: The day the town opened they said it would take 35 years to exhaust the deposit.

Mr. Foulds: But the ore was as rich and close—

Hon. F. S. Miller: The ore was rich, but you could not get it up.

Mr. Foulds: Sure, you could.

Hon. F. S. Miller: Not economically.

Mr. Foulds: Yes, you could.

Hon. F. S. Miller: Indeed, the ore got richer as you went down.

Mr. Foulds: That is correct. Which is the same thing that is happening in Ear Falls.

Hon. F. S. Miller: You do not stop mining high-grade ore because you do not want to mill it at that site; you do it because you cannot afford to take it out of the ground. That is what happened.

Mr. Foulds: Back to the question.

Mr. MacDonnell: We are now working in Sault Ste. Marie, and David Girvin, the assistant deputy minister of industry, today gave me an outline on some of the things he is doing with the town council. What is it called, David? The Sault Ste. Marie—

Mr. Girvin: — Economic Development Group.

Mr. MacDonell: We are doing a series of things with this group. The government acted aggressively in September to invest in both the fisheries and winter aspects of the tourist

industry. David Girvin is now working on attracting incoming foreign investment to help the small business program. The Treasurer (Mr. Grossman) announced three or four major support programs last September on tourism, hospital development and so on.

So the answer is yes. When requested by the economic development committee, we bring to bear what we can, by asking our offices abroad to look for the right mix of investment and so forth.

David, would you like to add to that comment from Mr. Foulds?

Mr. Girvin: Mr. Foulds would like more details?

Mr. Foulds: Actually, the minister seems to have left.

Mr. Chairman: Momentarily.

Mr. Kerrio: An emergency? You mean there is a delegate who is finally ready to commit himself?

Mr. Foulds: Maybe we should adjourn and add the minutes on while the minister is not here.

Mr. Chairman: The minister will be right back.

Mr. Foulds: The question I get back to and am frustrated by, because it does not seem to be answered by either the minister or the ministry, is what steps are taken in advance?

In Sault Ste. Marie, once again, after the employment drops off at the mill, there seems to be a flurry of activity. I am not questioning the action that is taken in these kinds of situations. But most of it is after the fact. If it is not quite a case of putting the finger in the dike, it can at least be likened to putting the fist and arm into the dike.

Is the ministry responsible for taking action ahead of time to avoid crises; and when these crises do occur, is it the ministry's responsibility to see that alternative industry is in place, ahead of time?

9:20 p.m.

Mr. MacDonell: The basic approach is to create a healthy environment for a business so that it will continue to employ people. The severity of the 1981-82 downturn was, however, totally unpredicted by anybody in the world. Its dimension took us aback. Despite the fact we have these five programs to give us a very healthy environment, we would also have to say in the analysis of the past 25 years of Ontario's performance the province is unmatched by any jurisdiction in the world in new job creation. Ontario added about two or 2.5 per cent over the

last 25 years to give us the highest standard of living in the world.

Mr. Foulds: I do not think anybody, including all the people in Treasury, foresaw the dimension of the recent turnaround. I guess if the government could be faulted, it is because nobody foresaw, either here or anywhere in the world, that the most successful provincial or jurisdictional development in terms of new job creation and wealth creation in the world would have such a severe blow. I think that would be our answer.

Mr. Foulds: But it does not specifically answer my concern. Words in general, as Stanislavsky once said, are the enemy of art. Words in general may satisfy the Treasury and the Ministry of Industry and Trade and may satisfy the province as a whole, but they do not satisfy the specific requirements of building a mature economy in what are basically one-industry towns. That is my concern.

My concern is that this ministry take some responsibility and initiative to anticipate. We knew, as the minister said a few moments ago, that when Atikokan opened up, 35 years later the mine would close. Why the hell do we not put into place some plans to develop alternative industries ahead of time so when that mine closes there is a solid base to the economy in a Sudbury or a Sault Ste. Marie or an Atikokan or an Ear Falls. What are you doing about it?

Mr. Girvin: Mr. Foulds, I believe there are differences among those communities. Sault Ste. Marie, Sudbury and the other jurisdictions to which you referred have an infrastructure and a base on which one can build on the service industries. We have seminars and an element of outreach that I think can diversify that base. As Mr. Miller mentioned in his response, we do not have a panacea for the dilemma of a one-industry town that is isolated, such as Atikokan or Ear Falls.

I think we are a little more experienced in working with them, particularly north of the French River, where a lot of these things unfortunately seem to occur because of the dependence on the resource industries. The Ministry of Northern Affairs, the Ministry of Natural Resources, ourselves and the Treasury do attempt to get an element of outreach on what might be some options.

We do not know whether the enterprise incubation centres or industrial malls can be viable. We had a reasonable success in Atikokan with a pretty concentrated effort, although granted people still left the community. We do not know whether that can be duplicated in the

Red Lake area, but we will certainly give it a shot. I believe the Minister of Northern Affairs announced we would be working on a committee to attempt to resolve that issue. It is not going to be an easy panacea at all.

Mr. Foulds: If the Premier's letter has any influence in postponing that closure for two years, surely you have three years of really intensive work.

Mr. Miller asked me for some suggestions. Just off the top of my head, there are hardwood supplies in the area that are not used by the pulp and paper industry. I do not know, because I have not done the market research, but perhaps it is possible to tie together hockey-stick manufacturing, spools for thread, spools for the cores of pulp mills themselves and that kind of thing.

Those are the kinds of things you could and should look at. There might be a market in the pulp and paper industry for some of those cores in the region itself to give it enough of a base so the transportation to other parts of the North American market is not insurmountable.

Mr. Girvin: If there were an opportunity, it would be based directly downstream from that resource. For anything that would be playing with any value added in a traditional manufacturing sense, transportation costs and the infrastructure is not be there. Unfortunately, this is the circumstance.

Mr. Foulds: What does that mean?

Mr. Girvin: You would not be able to have that broad a base on service or electronics industries because the personnel, the labour and the service industries that would support that investment would not be there. As to your suggestion relating to wood products or mining, these really are the centre of any possibilities of an industrial park incubation or any other sort of spinoff or entrepreneurial activity.

Hon. F. S. Miller: Do not forget we also built an electrical generating plant there, which was only chosen for that route.

Mr. Foulds: That was Atikokan.

Hon. F. S. Miller: Yes, Atikokan. Again, that was a definite decision made by the government of Ontario because it wanted to create jobs there.

Mr. Foulds: I have probably taken enough of the estimates time tonight. I will turn the discussion over to other members who may wish to ask questions.

Mr. Chairman: Mr. O'Neil on the administration program.

Mr. O'Neil: I have just a few questions on that. On vote 2301, item 1, the main office, there is a reduction in employee of benefits of \$25,000 and a reduction of \$209,500 in salaries and wages. That is the elimination of the office of the assistant deputy minister.

You also mention the information and support services division of the metric service standards group. Has your ministry taken a position on whether or not metric should be maintained, given all the discussion surrounding metric versus the imperial system?

Hon. F. S. Miller: I think I would be reflecting the opinion of most Canadian companies when I say that since metric has been a requirement for the majority of industries for the last number of years, to try to reverse the process now would be disastrous.

Mr. O'Neil: In other words, your position is that you support the continuation of metric.

Hon. F. S. Miller: I think it is a case of being too far down the pipe. It is like saying in the ninth month of pregnancy that you do not want the baby.

Mr. Kerrio: It was not an outside influence. The Treasurer accepted this when the federal government did. It is not as if the federal government foisted this on to us.

Hon. F. S. Miller: Oh, come on.

Mr. Kerrio: Yes, the Treasurer accepted metrication for Ontario.

Hon. F. S. Miller: That was a federal imposition.

Mr. Kerrio: And we accepted it in the province of Ontario and said we would go metric.

Hon. F. S. Miller: I want to say, whether I liked it or not, the fact remains the federal government by its laws imposed it.

Mr. Kerrio: Mr. Grossman accepted it and supported it.

Hon. F. S. Miller: Is there a province in Canada that did not?

Mr. Kerrio: No, but your inference was that it was something that we did not accept.

Hon. F. S. Miller: It was pushed on us by the federal government at the request of the American government.

Mr. Kerrio: Yes, but we accepted it graciously until we found out it was not a very good thing to do.

Hon. F. S. Miller: It was the right thing to do.

Mr. Kerrio: Absolutely; that is why we should support it.

Hon. F. S. Miller: The fact remains that no one likes change. Just as Britain has become used to 100 pence in the pound, so will your children or your grandchildren, or in your case your great grandchildren who are currently learning the system, become used to it.

Mr. Kerrio: Our great grandchildren, your children.

Mr. O'Neil: Can we get back to vote 2301? You have on record that we should go ahead and that the minister agrees with the federal position which was taken a number of years ago.

Mr. Foulds: What federal government was that?

Mr. O'Neil: I forget, it has been so long.

I want to touch on affirmative action. I wonder if I could have a few comments from you on that.

Hon. F. S. Miller: My deputy has a fair amount of information on this. I can talk in terms of the policy, but the specifics would best come from him or from one of the staff.

Mr. MacDonell: Arn, would you like to come up and tell us about the affirmative action program that has been reporting to you for the last year.

Mr. Chairman: It might be easier if you would like to sit here.

Mr. MacDonell: Would you like to sit there and tell Mr. O'Neil what our progress has been?

Mr. Bronskill: I can outline for you—

Mr. Chairman: Can we have your name first, sir?

Mr. Bronskill: Arn Bronskill, executive director of administration.

Mr. Chairman: Thank you.

9:30 p.m.

Mr. Bronskill: I can outline for you the results of the 1983-84 affirmative action program. In that year the ministry exceeded its targets.

Mr. O'Neil: Were those targets increased from the previous year? In other words, have you increased your targets each year in proportion to percentage?

Mr. Bronskill: Yes. Each year we have been increasing our targets.

Mr. O'Neil: Could you give me those figures on how much you have increased from one year to the next?

Mr. Bronskill: One of the targets was to increase the number of female consultants in the industrial officer category, the main category in the ministry at the working level of people in both the industry division and the trade divisions.

As of March 31, 1984, women held 9.5 per cent of these positions. This was an increase of 56 per cent over the previous year. The other target area that was achieved was in the accelerated career development area. We had a target of 10 and the actual result was that 19 women were involved in the accelerated career development moves.

We provided a budget of an extra \$50,000 to allow for temporary help to be placed in the positions so that women could be allowed to take on extra responsibilities in another area of the ministry. This extra budget was developed in 1983-84 and has been carried on into this fiscal year 1984-85.

The other area we were concentrating on was getting women involved in university training, taking extra courses at night and improving their educational status so they could take on added responsibilities in the ministry.

In addition to that, five women were hired as industrial officers compared to a target of four. That was in 1983-84. With respect to results to date in 1984-85, and this is up to the end of October, 1984, we have set targets for accelerated career development of 10 for the year and we have achieved 11 to date. It looks as if we will be coming close to the achievement of last year, which was the 19 I mentioned before.

Mr. O'Neil: How do you base those targets? You are saying you set a target of so many and you attain so many. On what basis do you set those targets?

Mr. Bronskill: We work these out with the women crown employees office and we look at the opportunities available in the total number of positions in the ministry. We look at people who are retiring, we look at vacancies that are likely to occur and we say opportunities will be provided for women in those vacancies as they occur. We have also had a few new positions allowed for in the development of the trade program.

When the ministry was changed from the Ministry of Tourism and Recreation to the Ministry of Industry and Trade, the trade program was given priority by Management Board and we did receive some additional staffing authority. Again, vacancies were created and some of those positions were targeted as being opportunities for women.

Mr. O'Neil: Are you satisfied? I suppose you are never satisfied, are you?

Hon. F. S. Miller: I do not think you are satisfied until you have achieved the ultimate objective of about the same number of women in positions of competence, in senior positions, as

there are in the work force. I do not think you can say that because there are 52 per cent of women in the population you should have 52 per cent of women in senior jobs.

Ministries vary considerably in the balance of male/female staff anyway. Some, such as the Ministry of Health, have always had a lot more females than males. That is historic in the sense that females have chosen health professions as professionals more than, say, professions within the Ministry of Natural Resources.

Mr. O'Neil: What would be the highest position a female would hold in your ministry?

Hon. F. S. Miller: I think director, but I am not sure.

Mr. Bronskill: Jan Rush, executive compensation level 3 plan, level 3 of the ECP system, would be the most senior woman.

Mr. O'Neil: Okay.

Mr. MacDonell: I was just going to say the director of international marketing, Jan Rush, is here this evening. She is our senior female officer. She is in her second year in that assignment and doing an outstanding job, I might add.

Hon. F. S. Miller: Is pay review time near?

Mr. O'Neil: I have a couple of other questions. Going down to vote 2301, item 5, information services, I wonder whether I could have a comment on the decrease from \$3,068,974 to roughly \$2 million. That may be altered in the other book, but that is under vote 2301, item 5.

Mr. Bronskill: I believe the figure you are looking at is the increase in the actual amount for 1983-84. That was because of an increase in moneys provided from Management Board in June of that fiscal year to allow for promotion opportunities and to augment the increased trade program. When the trade program was approved and the five-year plan got approval from Management Board, its first year brought promotion and information services funding. That funding was authorized during the year. It was approximately \$1.3 million to advertise and promote trade.

Mr. O'Neil: Where are you doing this type of promotion? Where is that money mainly going, into what areas of promotion?

Mr. Bronskill: In the trade program?

Mr. O'Neil: In the trade program. Do you mean promotional in the way of trips?

Mr. MacDonell: If it is in Jan Rush's area, we are talking about publications. There is a whole

series of domestic and international export publications. There is domestic and export advertising, research, publicity and domestic and international promotion. The latter would be in selling Ontario to the Japanese through our marketing program in Tokyo to bring Japanese investors into the province.

Hon. F. S. Miller: It is partly because of the advance to things such as the export success fund, about which you have heard. That was introduced in August 1983.

Mr. O'Neil: There are a couple others you have there, for instance, \$50,000 for special grants in support of industry and trade development.

Hon. F. S. Miller: I have to go back to that one. Since your book and my book are not always the same, I have to look at the master book. By that I mean I am looking at a different book.

Mr. Foulds: That is a Mulroney-type management of information.

Hon. F. S. Miller: Yes. We have one set of books for the internal revenue services and another for ourselves.

Mr. Bronskill: An example of that expenditure is our share in a grant to the Niagara Institute for industry and trade development seminars and the business-related work done by the Niagara Institute. We contribute with the Ministry of Energy and the Ministry of Labour about \$15,000 of that \$50,000. Other payments are small miscellaneous grants. I do not have any other examples of that right here with me, but that is the kind of thing.

Mr. O'Neil: Does somebody just apply for that? Who determines whether you would give funding?

Mr. Bronskill: People would prepare applications.

Mr. O'Neil: Applications?

Mr. Bronskill: Yes. They are reviewed and screened to make sure they are consistent with the objectives of the program.

9:40 p.m.

Mr. O'Neil: In the case of some other items there, transportation and communications, from vote 2301, item 1, right up to to the end of item 9, when we total that up we are talking about between \$600,000 and \$700,000, which is a fair sum under one vote.

I just wonder whether I might have a little bit of an explanation on where that kind of money is—I know it is transportation and communications, but it is quite an amount.

Mr. Bronskill: There is one difference in this year's estimates that has not appeared in previous estimates. Telephone services, including long-distance calls, are now in the estimates of each of the ministries.

The Ministry of Government Services used to provide for all of the telephone equipment and the handset desk equipment for all the ministries. They are no longer doing that. Each of the ministries must provide for its own in its own estimates.

A good chunk of that sum is telephone equipment and the cost of the rental we pay to Bell Canada for each of the phones on each of the individual staff members' desks, plus the switching systems that go with them.

Mr. O'Neil: Can you give us some idea as to what proportion of transportation and communications this would be?

Mr. Bronskill: I can get you that information. I do not have that right now.

Mr. O'Neil: A good portion of it would be from the telephone?

Mr. Bronskill: I would think so.

Mr. Foulds: Is it not more expensive to do it individually by ministry?

Hon. F. S. Miller: It is showing just the costs in the ministry. It is not being done by us. It is being billed to us.

Mr. Bronskill: It is carried in the votes and items of particular ministries rather than as a lump sum in the total expenditure vote of the Ministry of Government Services.

Hon. F. S. Miller: May I explain that? As a general rule we are trying to make ministries more aware of costs by putting the costs of certain support services in their vote—such as rent, which may start showing in the same way—rather than burying it within the overall ministry which provided the service.

Mr. O'Neil: On the transportation matter, I think we put questions in Orders and Notices. Some of them have been answered. One of our members put in a question about how many cars you have at your disposal.

Hon. F. S. Miller: Yes.

Mr. O'Neil: You have a car and the deputy has a car.

Hon. F. S. Miller: And we have one truck.

Mr. Bronskill: There are four vehicles in the ministry. The minister has a car; the deputy minister has a car; there is a car available to Ontario House in London; and we have a small panel truck which we use for delivering stuff.

Mr. Foulds: Does not the parliamentary assistant have one?

Mr. Bronskill: No.

Mr. O'Neil: Mind you, the parliamentary assistant can draw on the government pool.

Mr. MacDonell: That is correct.

Hon. F. S. Miller: But just for your information, sitting within that pool is my old car; it is still there. The ministry has, in effect, donated a car to the pool. If you examine the pool you will find the pool has become much more efficient in the last year.

I am glad you raised that question. Ministers and deputies used to trade their cars in. They went to auction right away. Now, for your information, the garage does not buy new units. It runs cars that have passed the 120,000-kilometre mark on average—which is the maximum distance we now may drive them—and uses them for short trips. They just are not buying new units. In effect, we rent our own cars back.

Mr. O'Neil: Do you keep track of how many times cars have been called for from the pool?

Hon. F. S. Miller: They do.

Mr. MacDonell: They bill us and we pay that as a separate invoice. It is a profit-loss organization. The more a ministry uses the service, the more it will pay.

Mr. O'Neil: Can you give me a figure as to what you have had to pay them for a year?

Mr. MacDonell: Yes.

Hon. F. S. Miller: Even though, by the way, they gave us no credit for the car—that is one of my little complaints right now.

Mr. O'Neil: It is likely the model that you were driving.

Hon. F. S. Miller: Yes, it was that.

Mr. Foulds: They use a car that even you could not sell.

Mr. MacDonell: Mr. O'Neil, we can provide that figure precisely. It would be on our books. It would be a very small number.

Mr. Bronskill: A minimal amount.

Mr. MacDonell: A minimal amount. We do not use that service very much.

Mr. Foulds: I have just one quick supplementary: who has the truck?

Hon. F. S. Miller: Actually, that is the deputy's.

Mr. MacDonell: He has got the truck. He uses it to shift around all sorts of furniture and office supplies.

Mr. O'Neil: The parliamentary assistant does not? The only time he would have a car is if he wanted to draw on it and you have a total record of that and the cost?

Hon. F. S. Miller: Yes, he would normally use that only for government business.

Mr. O'Neil: I have no further questions on that particular vote. Perhaps we can go on to another vote, unless someone else has some questions.

Mr. Foulds: I have a quick question on transfer payments. What is "Relief to business re natural disasters"?

Mr. Bronskill: That is the Oxford windstorm or tornado, and the flood at—

Mr. Chairman: Cambridge.

Mr. Bronskill: Not Cambridge; there was a river flood in the Whitby-Port Hope area. That is the differential on the interest payments for loans that were specially made to permit people to rebuild. An interest rate was set and the government agreed to provide the differential on loans for people who applied to a bank—not loans; for themselves at a lower rate than they would have had to pay at the bank. I think there have been loans at around—

Mr. Foulds: That is \$30,000.

Mr. Bronskill: Yes. It is a minimal amount of money. That is what it is for.

Mr. Foulds: It seemed to me to be a fairly good idea and I am curious about it. Is it going to become a permanent part of the ministry budget?

Mr. Bronskill: I imagine those loans will run out eventually and in a few years the plan will just terminate. We will not need to make a provision any longer.

Mr. Foulds: Do you know the length of the loans?

Mr. Bronskill: I think it may be 12 or 15 years. They were made through the Ontario Development Corp. as formal-type loans.

Vote 2301 agreed to.

On vote 2302, industry program:

Mr. O'Neil: On program administration, the increase shown is approximately \$800,000.

Hon. F. S. Miller: I will let Mr. Girvin come up for these questions.

Mr. Girvin: The ministry had a minor realignment effective at the beginning of this fiscal year. At that time, the divisions of industry and trade were allocated the responsibility for promotional literature funding and other promotional items. Because the reorganization took

place effective April 1, there was no opportunity, when the estimates were prepared, to allocate it in any other specific area than program administration, which consists of an executive assistant, a secretary and myself.

Immediately upon receipt of that money, it was allocated to industrial investment, small business, domestic marketing and domestic offices. That accounts for the major portion of that increase.

For example, the actual program administration related to the office per se is \$115,000 for the year to date, which is seven twelfths of the year.

Mr. O'Neil: What is "Transfer payments: Grants in support of sector development, \$110,000"?

Mr. Girvin: The largest portion of that is an ongoing level of development assistance to the Festival of Festivals, related to the domestic marketing branch's activities in promoting films in the province.

We have been successful in bringing to this jurisdiction approximately \$65-million worth of foreign film capital, which has significant spinoffs in the province. Of that amount of money, the Festival of Festivals uses somewhere between \$60,000 and \$70,000 as far as that international festival is concerned, and we support the commercial side of the trade forum days during that festival.

Mr. O'Neil: As to item 2, small business; I guess we can look at that. Perhaps I could have a little more explanation of the \$729,900 decrease.

9:50 p.m.

Mr. Girvin: On page 2-6 of that program there is a breakdown of the standard accounts classification.

As you can see, there was quite a significant change between 1983-84 and 1984-85 in the services account, which went down \$3.8 million. Most of that decrease was a result of recoveries from other ministries, including phasing out funding of the off-oil program by the Ministry of Energy. In addition, there was another significant cut, although to a much lesser extent than that sizeable, nearly \$3 million, reduction from the Ministry of Energy.

On program review, there was a reduction of approximately \$450,000 in two areas of small business development. One was the promotional aids marketing program for \$250,000, which we felt was not as effective as the other small business programs and was not getting as good a result as competing products within the small business array of programs.

Then there was the technical process assistance program of approximately \$200,000, which was being duplicated by the National Research Council as far as federal initiatives were concerned.

Mr. O'Neil: Maybe I should ask the minister this. Do you feel that the budget within the vote for small business is sufficient to do the job you are planning to do?

Hon. F. S. Miller: I do not think that any one vote looks totally at the money spent on small business. The Ontario Development Corp.'s vote would be almost completely directed towards small business. The deputy also mentioned that he has been doing a major review of our requirements for small business, which should see the light of day at the appropriate time, assuming it is passed by Management Board and cabinet.

We are doing quite a bit to stimulate small business. Some of our initiatives are contained in programs the Treasurer announced this year—I waved this piece of paper around earlier. One of them is to help youth get into small business. You may remember youth venture capital programs, where young people can borrow up to \$5,000 on guaranteed loans through the Royal Bank, to start businesses. I think at this point they are interest free loans.

It is astounding to me that in the 27 days since the program was announced, we have had 1,291 requests from youth in Ontario for that assistance. That is a huge amount of money. That is small business, too.

I think you are going to see a lot of activity there. We regrouped the assistance to small business trade development, which is the export success fund, and that has gone from \$1 million to \$4 million within one fiscal year. As we prove that we are successful, I think you will find we will come along well.

I talked the other day about the auto parts technology fund, another small business venture, that will put in \$10 million per year for the next three years. It was designed to go to small businesses by capping the number of dollars the programs deliver. Small businesses would be the main beneficiaries of this. I think \$750,000 is the—

Mr. Girvin: Yes, it has a ceiling of \$750,000.

Hon. F. S. Miller: Which does not appeal to huge companies, but does appeal to small companies wishing to buy high technology equipment.

Mr. O'Neil: Is it too soon to have replies in that particular program? Have you had many applications?

Hon. F. S. Miller: Mr. Girvin can answer that.

Mr. Girvin: We have had about five or 10 beyond the initial inquiry stage. The program was announced towards the end of October and we probably will be approving the first couple of applications in the month of December.

Mr. O'Neil: One other, in the—

Hon. F. S. Miller: I was going to say one more thing, since you are asking. The enterprise fund, which was announced last week, was also a target of so many million dollars just for small business creation and development. So you can see a number of moves coming forward.

I made a statement in the House last week—

Mr. O'Neil: About the different centres.

Hon. F. S. Miller: Innovation centres, enterprise centres and spinoffs.

Mr. O'Neil: I have another question to raise about the people who are running those centres. Were they not given to one group?

Hon. F. S. Miller: I have trouble with my terminology. Two of them under the innovation centres—David, is that the right term?

Mr. Girvin: Enterprise centres, as outlined by Mr. Grossman's budget.

Hon. F. S. Miller: Two of the first three went to a company called TIEM, with which we are currently negotiating.

Mr. Girvin: The other one went to Confederation College in Thunder Bay.

Hon. F. S. Miller: There are going to be more of those.

Mr. O'Neil: Why did they get those contracts?

Hon. F. S. Miller: After a long examination by the Board of Industrial Leadership and Development and in the absence of evidence of which model worked best to help small businessmen succeed, it was decided to take more than one route so that we would have some basis for comparison. The TIEM proposal was basically a program—

Mr. O'Neil: Did you ask for other proposals or did it put in the proposal first?

Hon. F. S. Miller: No, we did not ask for proposals. I would say the TIEM proposal came in unsolicited.

Mr. MacDonell: It spent an awfully long time working on the proposal.

Mr. Girvin: TIEM has been refining its product for a year to 15 months. On a pilot basis, BILD approved seven enterprise centres. One

has been committed to Confederation College in Thunder Bay and two have been committed to TIEM, so there are four other approvals remaining to be evaluated, screened and selected by BILD.

Hon. F. S. Miller: Just to digress a second, the very reason Confederation College was the first of the public ones approved was that we wanted to make sure small-business advice was available in the northwest.

Mr. O'Neil: In these other centres, are you going to be asking for submissions or do you hand them over to these TIEM people? How do you handle that?

Hon. F. S. Miller: No. I think TIEM wanted to have a whole lot more; I think at one time it wanted seven. Is that right?

Mr. Girvin: Yes. TIEM had a quite large and significant request. It was decided that there was an opportunity to try its techniques and approach, but not to give an overall resources commitment. Really only two of the seven were allocated.

Hon. F. S. Miller: I will stress this. Until we have finalized our agreements with TIEM, I will not be totally sure they will see the light of day. I want to make sure they meet our criteria for success.

Mr. O'Neil: What is TIEM and who owns it?

Hon. F. S. Miller: There is a consortium of Clarkson Gordon, the Royal Bank and Control Data Corp.

Mr. Girvin: In an associated arrangement with two principals, a Mr. Wiley and a Mr. Scott, Clarkson Gordon will be providing management consulting assistance, Control Data its training package on videocassettes and we hope the Royal Bank will be providing an element of operating lines of capital to entrepreneurs. It is a confederation of those interests with a mentor, or somebody whom TIEM calls a mentor, acting as a catalyst and assisting the entrepreneur in his development.

Mr. O'Neil: What sort of contract price do you have in mind?

Hon. F. S. Miller: I think our contribution is something in the range of \$150,000 per unit if we go ahead.

Mr. Girvin: The approval from BILD on the enterprise centres was a total of \$7 million over a three-year period for all seven potential locations. The up side is on a cost-sharing arrangement among the municipality, the private sector and the government on various formulas. The maximum ceiling on the government contribu-

tion on any one centre over a three-year period would be \$1 million in the formula financing with the other partners.

Hon. F. S. Miller: We had a fairly exhaustive study done on incubation centres, if you want to call them that, in the United States to see where they worked and which models worked. Through all the study, we saw some successes.

We have to agree there is a large difference of opinion on how successful these incubation centres are. The idea is still experimental and we are not sure we have a solution that will work, but in the absence of proof, we are going to try it and try to make sure we are of use to the small-business people.

Mr. Foulds: Who are Wiley and Scott?

10 p.m.

Mr. Girvin: Peter Friedman can provide the details. I believe one of them had extensive experience in venture capital with the Canada Development Corp. and the other was associated with Consumers Distributing and had a number of other marketing jobs. To date, there have been no contractual arrangements either with the community college in Thunder Bay or TIEM as to the actual details of the final arrangements. They will be negotiated on the funding formula and basic approval that was provided and direction given by BILD.

Mr. Foulds: BILD has approved those three?

Mr. Girvin: It has approved the location and the guidelines, the formula financing and the ceiling.

Mr. Foulds: The ceiling is \$1 million?

Mr. Girvin: It is \$1 million over three years with a cost-sharing formula with either the municipality or a corporate sponsor. Over the next couple of months we will be entering into the final negotiations on contractual responsibilities.

Mr. O'Neil: Under vote 2302, item 3, industrial investment, I notice The Market Place. Are you still continuing that bulletin? There seem to be a couple of editions that were—

Mr. Girvin: I am sorry?

Mr. O'Neil: The Market Place, a bulletin you put out.

Mr. Girvin: I thought The Market Place came under domestic marketing.

Mr. O'Neil: Are you still continuing it?

Mr. Girvin: Yes, we are, in so far as it lists companies that are seeking mergers, acquisitions or divestitures, joint venture or licensing arrangements. We try to co-ordinate between the foreign

and domestic offices, the needs and the matching. It could be a dating service analogy for domestic manufacturers interested in either joint venture or licensing. We dovetail that, for example, with leads we might have in the Paris office.

Mr. O'Neil: The other evening we were talking about the different development corporations and attracting business to certain areas or trying to sell certain areas. What sort of co-ordination is there on this? Is there quite a bit of discussion along the lines of, "We think we could produce something in Ontario that is not being produced now, but being brought in"?

Is there be a matching up of certain products? Are the eastern Ontario or northern people made aware of this so they might attract industrial people to specific areas and get something new going?

Mr. Girvin: It might be helpful to take an example through a lead from a foreign office, Mr. O'Neil, on how that is actually handled. If a member of our Frankfurt office had a lead on somebody who, because of productivity improvements, the Canadian dollar and the general automotive investment climate in Canada, would like to be a parts supplier, he would contact that lead with the details.

In head office it would be distributed to the appropriate people in the areas on which they probably require information, sometimes on what Ontario has to offer, comparative labour rates with the United States, infrastructure, labour training and a variety of items a corporation would require. Some of that information might be financial or beneficial to people who might be looking for sites or for partners. I think the people seeking information weigh the various pros and cons when the details reach head office.

In answering your question on regional development, in the industrial development branch one of the key functions is site location. The main responsibility of that branch is to have an up-to-date inventory of land and buildings in the province and to interface with approximately 150 municipalities.

Mr. Jack Delaney is the manager. He has been at that for 25 years. I think the reason he is successful and has maintained that position is that he has been fair, and the different municipalities and the industrial development commissioners recognize that we cannot play any favourites in our relationships with the various municipalities.

We ask for the requirements of the company and then try to fit them into a location that reflects

their market transportation, labour rates and skill training. In the area such as regional development in the north, there are some communities that have the infrastructure, the steel and the requirements, such as Sault Ste. Marie, that is an option that is given in terms of any potential joint venture or greenfield site location opportunity that comes into head office.

The distribution of those really relates to the local industrial development commissioner. We do not get into the business of site decision. We assist the private sector in site location. We give quite a broad spectrum of the actual details while still respecting their confidentiality. But we do not trade a Belleville off against a Peterborough. We could not survive in terms of having any effective relationship with the municipalities.

Mr. O'Neil: Do you find that a lot of people coming in from outside Canada or from outside Ontario will look for themselves and not come to you for help? I suppose it would be hard to put a percentage figure on that.

Mr. Girvin: We do not have a number, but obviously it depends on the individual case.

Mr. O'Neil: Although a lot of people may depend upon you to supply certain information, does it eventually fall upon the municipality or industrial commission to do a selling job around the world on its particular area?

Mr. Girvin: I do not necessarily know about around the world; that would depend upon the municipality, its budget, and the priorities it might have for foreign investment. These are municipal decisions. However, there certainly is a requirement to have an element of outreach, because many of the bigger decisions are made by private consultants.

In the Honda decision, for example, we were involved to a great extent in duty remission and quotas. Mr. Miller visited Japan and met with the executives at Honda, but the actual site location was made by Honda. With respect to the announcement of the decision of Alliston, we had no prior consultation on site selection.

Mr. O'Neil: So there definitely has to be an outreach program on the part of the municipalities to help sell their particular area.

Hon. F. S. Miller: There also has to be an attitude. One of my three little towns in Muskoka during the 1960s was picking off just about every industry that came to look at our area as a potential site location. I was curious to know why one town won over the others. Some of the companies said it was because the members of council and the mayor worked very hard at

making them feel welcome. In effect, they sold them on the community. Very often the companies did not find this.

The industrial people came to talk to the mayor or the industrial commissioner, but in comparing town A to town B, which were only 10 miles apart, town A stood on its head to try to serve them, made sure they had water and said it would put in a road—the kind of stuff that makes the incoming company feel welcome.

I would say that is very important. If the economics are close to being equal, the attitude of the community has a great deal to do with it.

Mr. O'Neil: There has been some discussion lately concerning the Orillia immigrant entrepreneurial program.

Hon. F. S. Miller: Which one?

Mr. MacDonell: The Orillia entrepreneur program.

Mr. O'Neil: Where was it we just went into.

Mr. McDonell: No, it was not Orillia. Is it Bracebridge?

Mr. Girvin: No, it is the Orillia waterfront.

Hon. F. S. Miller: Are you talking about the development program under the tourism redevelopment incentive program?

Mr. O'Neil: Where out-of-country developers are given citizenship because they put money into a business.

Hon. F. S. Miller: That is the immigrant entrepreneur program.

Mr. O'Neil: That is what I mean.

Mr. McDonell: The location is the Orillia waterfront.

10:10 p.m.

Mr. O'Neil: What is your feeling about that particular program?

Hon. F. S. Miller: That was not under this ministry directly. That was a BILD program. It was administered by the Ministry of Natural Resources under a committee called BOAT, Boating Ontario advisory team.

Mr. O'Neil: Are you in favour of such programs, in order to bring investment into the province?

Hon. F. S. Miller: Generally, we have tried to direct our immigrant entrepreneur program towards the manufacturing sector.

Mr. O'Neil: Rather than tourism?

Hon. F. S. Miller: Yes.

Mr. O'Neil: That is where you prefer to see it?

Mr. MacDonell: Or real estate.

Hon. F. S. Miller: We are not interested in them buying an apartment building.

Mr. Girvin: Tourism accommodation and manufacturing are the two major areas of interest. Another restaurant in the Metropolitan Toronto area would not be considered a priority investment under this program.

Hon. F. S. Miller: Service industries, in general, are discouraged.

Mr. O'Neil: You mentioned real estate.

Hon. F. S. Miller: We are not anxious to have them buy real estate.

Mr. Foulds: How about restaurants?

Mr. Girvin: No, we tried to avoid that in Ear Falls.

Mr. O'Neil: Okay, Mr. Chairman, I have no further questions on that vote.

Mr. Foulds: I have just one. That was on vote 2302, item 4, regarding public procurement activity.

It has always seemed to me that there is a fair market in goods purchased by public bodies. The description on page 2-14 says: "The section will carry out the following programs to reinforce Canadian content in public purchases." What kind of market is being missed, in terms of public purchases of manufactured goods?

Hon. F. S. Miller: A while back the deputy minister referred to \$1.5 billion, or something in that order.

Mr. MacDonell: Yes, it is \$1.1 billion now—

Mr. Foulds: This is in public purchases?

Mr. MacDonell: Yes. Bart, are we purchasing approximately \$1.1 billion in manufactured goods?

Mr. Hildebrand: No, it is \$5 billion in purchases of manufactured goods by public—

Mr. Chairman: Excuse me, could we have your name please?

Mr. Hildebrand: Bart Hildebrand, director of domestic marketing.

Some \$5.9 billion is purchased each year by public agencies in Ontario. The imported component of this amounts to \$1.5 billion. Of this, \$1.1 billion is in six high-tech categories.

Mr. Foulds: When you refer to \$5.9 billion in purchases by public bodies in Ontario, does this figure include the federal government's purchases in Ontario?

Mr. Hildebrand: No, it does not. This figure includes the ministries, their agencies, school boards, municipalities, hospitals, etc. The federal procurement is on top of this.

This is complicated because while the federal government is headquartered in Ottawa, it makes something like \$14 billion in purchases across the country each year.

Mr. Foulds: Do you have a rough estimate of how much of this is spent in Ontario?

Hon. F. S. Miller: Forty per cent.

Mr. Foulds: Forty per cent in Ontario?

What are some of the things we are currently buying outside the country that could be purchased domestically?

Mr. Hildebrand: We could buy a lot of scientific equipment.

Mr. Foulds: That is currently being manufactured?

Mr. Hildebrand: Yes, it is currently being manufactured. We run into considerable problems with Canadian industry not being able to get on vendors' lists. Or the decision-maker in an institution, who may not be the purchasing agent, demands that a product be bought with which he is familiar and, as a result, a comparable Canadian-made product is not considered.

We buy a considerable amount of communications equipment offshore. This is complicated to a certain extent because many of these multinationals rationalize, so in some cases you buy an imported product.

Hon. F. S. Miller: Would you like to indicate those agencies and entities which are not paying much attention to our government guidelines?

Mr. Hildebrand: Yes, I would like to go into a considerable amount of detail on this.

Hon. F. S. Miller: Tell him which ones do not follow our guidelines.

Mr. Hildebrand: Those who do not follow our guidelines are hospitals, school boards and public utilities commissions. There is a very low adoption policy and compliance. Those that are high in following our guidelines, I should also mention, are the community colleges. They are very high—at 85 per cent compliance with the purchasing policy of this government.

Mr. Foulds: Can you tell me why there is this discrepancy—sorry, Minister, do you have a question you are asking here?

Hon. F. S. Miller: I did not hear municipalities come in and I wondered on which side he put them in.

Mr. Hildebrand: They are not complying.

Hon. F. S. Miller: I just want to get this on the record. I think we are both agreed that we see a great potential for employment of Canadians if we could only get them to stop being lazy and

start looking at Canadian suppliers. So far, the route we have been using has not impressed itself upon municipalities, school boards and hospitals—the very people who receive taxpayers' money to make their purchases. And I think that is a crime.

Mr. O'Neil: What do you put that down to? Why are they not?

Hon. F. S. Miller: I think Bart can go into that.

Mr. Hildebrand: Part of it is an inertial system. Part of it is that the government has a 10 per cent preference policy. Many people either do not understand or choose not to understand that we are not saying you would pay 10 per cent more for a product. There is a formula they go through.

By and large we have found that where they employ the 10 per cent preference policy, their total cost will go up by about one per cent over what they normally would have paid. The industrial benefits or the taxes flowing back to the economy are considerably more than what is actually being paid out as a so-called premium.

Mr. Foulds: Can you explain the discrepancy? Why are school boards not complying with your guidelines? And why are community colleges complying when, roughly, they are both funded by the same ministry?

Hon. F. S. Miller: In slightly different ways.

Mr. Hildebrand: I guess my view would be that, by and large, the school boards are governed by elected officials who set their own policies. The community colleges, I guess, are more closely creatures of the provincial government, with the Council of Regents, which has been very proactive in this area, setting policy for the individual colleges, and they in turn have responded to that.

Mr. Foulds: Once you establish the guidelines, how do you go about trying to persuade the noncomplying agencies—the hospitals, school boards and PUCs—to comply?

Mr. Hildebrand: Job owning.

Mr. Foulds: What do you mean?

Mr. Hildebrand: Going out and promoting to them that it is in their own self-interest to purchase more Canadian products. They would usually create wealth in their own community, trying to increase their—

Mr. Foulds: I know the arguments. I want to know how you do it.

Mr. Hildebrand: Go out and talk to them.

Hon. F. S. Miller: We had an example, a couple of years ago—

Mr. Foulds: There are, what, 600 hospitals in Ontario?

Hon. F. S. Miller: They are really not working in their own interest. They depend upon people in this province earning a living to supply the money to keep them going.

Mr. Foulds: I have been bringing this argument forward for five years.

Hon. F. S. Miller: The city of Oakville, if you recall, had some job-owning put on not long ago when they took Datsun as their low tenderer for municipal vehicles. I think at that point some of us got a little upset and the job-owning got a little more intense.

We have some guideline as to the number of dollars in value of the purchases—is it \$250,000?

Mr. Hildebrand: It is \$250,000, which is subject to an industrial development review, for the ministries of the Ontario government. We go through and look at what the benefits are to Canada.

Mr. MacDonell: Perhaps you could say what the minister is now planning and has in documented form on this whole issue that Mr. Foulds is raising?

Mr. Hildebrand: We are going forward with a cabinet submission which would see us take the industrial development review process to which I just referred and subsume under it information systems, which are very large items within this government, and becoming increasingly so.

We are also going to look at construction. In many cases, when the ministries plan to build a building, there is certain equipment they know they will want—boilers, air conditioning units, an information system—so we will require them to indicate that ahead of time to the management contractor so he understands what the ministry is looking for. We will be party to that to ensure that there are industrial benefits.

10:20 p.m.

We will be adopting the Canadian Standards Board definition of Canadian content and I think that will go a long way to helping those people we just spoke about to adopt a definition. Many times in the past they have said to us, "We would like to adopt a policy, but you tell us what your definition of Canadian content is, because it can vary." That will satisfy this situation.

Mr. Foulds: Can you table both the definition and the guidelines with us?

Mr. Hildebrand: Yes.

Hon. F. S. Miller: We are in the process of—

Mr. Foulds: I am not asking you to table the submission you are going to give to cabinet.

Hon. F. S. Miller: No, I know. I just want to say something. I think we have some legitimate complaints about the formula we used within the last year. A company like Xerox, although it may or may not be a good example—

Mr. MacDonell: Yes, it is.

Hon. F. S. Miller: Xerox would say: "We have a global mandate in Canada to make a certain product and export it around the world. If you want to bring the offset product from the United States, which is made only in the US, you have to recognize that we have a value added in Canada of a certain percentage of our gross Canadian sales, and it should be allowed for, with respect to trading efficiently-made products back and forth across the border, in your Canadian content calculation."

I think we basically agree with that.

Mr. Foulds: Okay, yes, I understand.

Mr. MacDonell: The other thing we want to do is to set some targets for this.

Mr. Foulds: Can you shame people by publishing their names?

Hon. F. S. Miller: I think you could shame your local hospital, as a member. You could shame your local school board. You could shame your local municipality—they are all talking about more jobs in the north, more jobs in small-town Ontario.

Here we have 40 per cent of the economy of Canada spent on government entities and we should be using that money effectively to create jobs, which is what this program is about. We would be allies on this, right down the line.

Mr. Foulds: I might attend that meeting on December 1 or 2 in Thunder Bay after all.

Mr. Chairman: Committee members, if there are no further questions on this vote, the bells are ringing, we do have to go into the House—

Mr. O'Neil: I have some additional questions that maybe we could get to tomorrow morning.

Mr. Chairman: Okay, then we will adjourn on this vote. Tomorrow morning we will be in room 228. Tomorrow is the last day.

The committee adjourned at 10:22 p.m.

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O'Neil, H. P. (Quinte L)

From the Ministry of Industry and Trade:

Bronskill, A. S., Executive Director, Administration

Girvin, J. D., Assistant Deputy Minister, Industry

Hildebrand, B. M., Director, Domestic Marketing

MacDonell, G. S., Deputy Minister

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